Austria	Sch22	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Din0.650	Israel	IS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta145
Cyprus	C£0.90	Jordan	Fils500	Sri Lanka	Rs30
Denmark	DKr10.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$1.25	Switz	SFr2.30
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rm4.25	Thailand	Bt50
Germany	DM2.30	Mexico	Peso	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh6.00	Turkey	L600
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rp15	Norway	NKr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,588 Wednesday July 13 1988 D 8523 A

Cracks open in the Ayatollah's edifice, Page 17

World News

Nicaragua and US in tit-for-tat expulsions

President Reagan yesterday gave the Nicaraguan ambassador to Washington and seven other diplomats 72 hours to leave the US.

The expulsions follow those announced on Monday of the US ambassador to Nicaragua and seven of his colleagues, accused of inciting unrest in Managua. Page 18

Sharpeville Six reprieve

South Africa's Justice Minister indefinitely postponed the execution of six blacks convicted of participation in the mob murder of a town councillor in Sharpeville in 1984. Page 7

Nagorno-Karabakh vote

The legislature of Nagorno-Karabakh voted to leave the Soviet republic of Azerbaijan and join Armenia. Page 18

Gulf clash

Two US military helicopters fired rockets at two suspected Iranian boats attacking a Panamanian tanker after the boats turned their fire on the helicopters in the Gulf, the Pentagon said. Iraqi success, Page 7

Airbus emergency

A Pan American Airbus A310 carrying 182 passengers made an emergency landing in Iceland 45 minutes after one of its two engines sprang an oil leak and had to be shut down.

Consulate stormed

Riot police stormed the West German consulate in Basle after 25 Kurdish separatists had occupied it and taken a policeman and a journalist hostage.

Drought damage

The US drought will cut American grain output by almost 25 per cent and drive maize output by almost 30 per cent, Wednesday estimates by the US Agriculture Department. Page 19

New attorney-general

Former Pennsylvania Governor Richard Thornburgh was named US Attorney-General, following the resignation of Edwin Meese. Page 3

Zia under poll pressure

About 20,000 people lined streets in Lahore as Pakistan opposition leader Benazir Bhutto opened her campaign to force general elections.

Santiago protest

Demonstrators set fire to seven buses in central Santiago in the worst outbreak of protest this year against the Government of President Augusto Pinochet.

Near-miss for Gemayel

Lebanese President Amin Gemayel narrowly escaped death when a helicopter he was piloting hit a power line.

Egyptian denial

Egypt denied sending about 1,000 para-military police to Saudi Arabia to help prevent violence during the annual Moslem Haj.

Kuwait shops for arms

Kuwait held talks with Britain on a possible arms deal covering parts of a $1.9bn US arms package which have aroused opposition in Congress.

Toxic waste Bill

A Bill to ban exports of toxic waste from the United States to developing countries was introduced by several members of the House of Representatives.

Taiwan eases curbs

Taiwan's Nationalist Government eased restrictions on visits by mainland China residents and bilateral trade, Page 7

Freckle remover banned

Chinese authorities banned the sale of a beauty lotion to remove freckles after angry women blamed it for destroying their love lives.

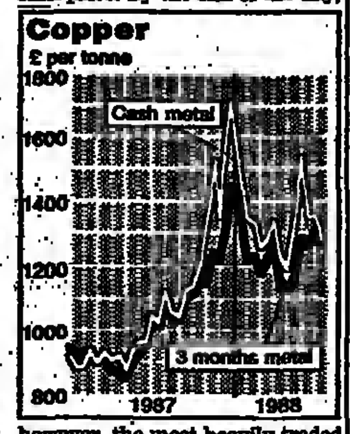
Business Summary

Coleco pays price of Cabbage Patch slump

COLECO, the Connecticut company whose Cabbage Patch Kids were briefly the best-selling toys in history, filed for Chapter 11 protection from creditors amid collapsing sales of the pug-nosed rag dolls and a rebellion by the company's directors. Page 19

MERRILL LYNCH, the big Wall Street brokerage house, suffered a further decline in profits in the second quarter. Its highly publicised salary cuts and staff shakeouts last year did not make a dent in operating expenses. Page 19

COPPER: For the first time since March 1987, the price for delivery in three months moved above the cash price. By the end of the day,



however, the most heavily traded metal on the LME had returned to backwardation (when there is a premium paid for immediate delivery). Page 32

LONDON: International industrial equities suffered a wave of selling in the final hour of trading, hit by Wall Street's lower opening and uncertainty over economic figures due this week. The FT-SE 100 index closed down 18.3 at 1,888.5. Page 40

TOKYO: Large-capital stocks attracted buying interest, helping to drive share prices moderately higher. The Nikkei average ended 133.85 points higher at 28,089.84, while volume swelled to 1.96bn shares from Monday's 1.08bn. Page 44

WALL STREET: Nervousness about the threat of higher US interest rates hit equities and bonds, helping to reverse Monday's gains. The Dow Jones Industrial Average closed down 18.67 at 2,092.64. Page 44

DOLLAR closed in New York at DM1.8357, Y132.37, SFr1.5200 and FFr6.1895. It closed in London at DM1.8375 (DM1.8455), Y132.60 (Y133.00), SFr1.5235 (SFr1.5350) and FFr6.1950 (FFr6.2100). Page 33

STERLING closed in New York at $1.6965. It closed in London at $1.6955 ($1.6895), DM3.1150 (DM3.1175), Y224.75 (unchanged), SFr2.5825 (SFr2.5925) and FFr10.5025 (FFr10.4925). Page 33

MERRILL LYNCH, the big Wall Street brokerage house, suffered a further decline in profits in the second quarter. Its highly publicised salary cuts and staff shakeouts last year did not make a dent in operating expenses. Page 19

INTEL Corporation, the Silicon Valley semiconductor manufacturer, reported record quarterly revenues of $727m, an increase of 66 per cent over last year's second-quarter revenues of $439m. Page 19

DIALOG Information Services, which claims to be the world's largest computer-based information retrieval firm, is to be sold to Knight-Ridder, a leading US newspaper publisher, for $353m. Page 19

ANACOMP, the US computer output microfiche company, signed a letter of intent to acquire Xidex, a Californian microfilm and computer disk manufacturer, for $400m, or $10 per share.

COOPER Companies, the diversified US health care group, says "independent third parties" have indicated interest in buying each of its three principal businesses, optometric, ophthalmic surgical and diagnostic. Page 23

Athens to press for EC initiative against terrorism

THE GREEK Government yesterday condemned as a "barbaric act" Monday's terrorist attack on the City of Poros cruise ship that left nine dead, and launched a manhunt for two men carrying Lebanese passports suspected of taking part, writes Andriana Ierodiaconou in Athens.

The government said it would use its presidency of the European Community between now and December to promote an international initiative against terrorism.

Greece is desperate to avoid a repetition of its experience in 1985, when hundreds of millions of dollars from tourism were lost after the US issued a three-week travel advisory to its nationals on the danger of travelling to Greece, after the hijacking of a TWA airliner en route from Athens to Rome in June of that year.

Yesterday Mr Nikos Skoulas, recently appointed Minister for Tourism, said: "I am reminded of the myth of Sisyphus. No sooner do we achieve something than it is destroyed and we have to start all over again."

The City of Poros was nearing the end of a one-day cruise around the Saronic Gulf islands with 471 passengers, mainly foreign tourists, when gunmen opened fire with automatic weapons and threw grenades.

An Arab connection was suggested by an explosion in Athens which had earlier destroyed a car hired by a man with a Lebanese passport. Two passengers, apparently male, died in the explosion.

Mr Anastasios Sehiotis, the Public Order Minister, said the man who hired the car, travelling on a passport in the name of Ahmoud Abdul Hamid was wanted for suspected involvement in the ship attack, along with a 21-year-old associate with a Lebanese passport in the name of Zoses Mohammed.

The two men had entered Greece on May 10 and May 31 respectively. The minister produced photographs taken by the City of Poros's photographer which it is hoped will help trace the suspects.

A pro-Iranian Arabic magazine was reportedly found among the wreckage of the car, reinforcing speculation that the City of Poros may have been targetted in retaliation for the shooting down in the Gulf of an Iranian airliner 10 days ago by the US.

However, if the terrorists hoped to strike a symbolic, predominantly US, target, they had miscalculated: of the 471 passengers only about seven were American and none was reported among the more than 50 injured.

Since 1985 Greece has improved airport security and increased co-operation against terrorism with its European partners and with the US but gaps remain.

Dukakis picks Texas senator to bolster campaign in South

BY STEWART FLEMING, US EDITOR IN WASHINGTON

GOVERNOR Michael Dukakis of Massachusetts yesterday chose Senator Lloyd Bentsen of Texas as his Vice Presidential running mate, signalling his determination to mount an all-out attack in the southern states where his Republican rival, Vice-President Bush, has strong support.

The decision, announced in Boston yesterday, took Washington by surprise. Senator Bentsen, 67, has been interviewed as a possible running mate, but has displayed no active interest in a job which many would argue is a less powerful position than the one he already occupies as chairman of the Senate Finance Committee.

Reverend Jesse Jackson, the black candidate who came second to Mr Dukakis in the Democratic primaries, said on Tuesday he was too controlled and too mature to be angry because he was passed over for the Democratic vice presidential nomination.

Jackson said he intended to pursue his own agenda and would have his name placed in nomination for the presidency next Wednesday at the Democratic National Convention that opens in Atlanta on July 18.

After saying he would not comment on Democratic presidential candidate Michael Dukakis's selection of Texas Senator Lloyd Bentsen for the number two spot on the party ticket, Jackson responded when asked if he was angry: "No, I'm too controlled, I'm too clear, I'm too mature to be angry."

However, there must now be concerns in the Democratic camp about how vigorously Mr Jackson would campaign for Mr Dukakis later in the year.

Mr Dukakis described the choice as: "The first presidential act I will do." He added: "I don't have to tell you how seriously I took the responsibility."

He summoned up memories of the decision by Senator John F. Kennedy of Massachusetts in 1960 to invite another Texan, Senator Lyndon Johnson to be his Vice President in a decision widely credited as having played a major role in ensuring Mr Kennedy's victory.

Like Mr Johnson, Senator Bentsen would "bring years of experience and a deep commitment to civil rights and equality of opportunity that goes way back to the 1940's," Mr Dukakis said.

Mr Dukakis pointed to Mr Bentsen's acceptability to moderate and liberal Democrats by saying that the Texan, from the more conservative southern wing of the party had this year "hit a grand slam home run, personally and successfully leading the fight for welfare reform, catastrophe health insurance, a sensible trade bill and a plant closing law" in the Senate.

As in 1960, analysts have stressed that the Democratic candidate will need to run strongly in the South. So a candidate from Massachusetts, a state which southerners in particular see as a hotbed of liberalism, seems likely to be well served by choosing a southern Vice President.

Yesterday observers were again pointing out that the Democrat's have never won the Presidency without winning Texas, which is third largest after California and New York in terms of Electoral College votes.

The choice of Senator Bentsen, a quintessential Washington insider from an earlier generation, is an unusually bold move and indicates just how much importance Mr Dukakis's advisers attach to making inroads into the coalition which helped elect President Reagan in 1980 and 1984.

Although Mr Bentsen was widely expected to win re-election to the Senate this year, it is far from certain whether he can help Mr Dukakis win in a state which has been Vice-President Bush's political base since he entered politics, and which he claims as one of his homes.

The move, however, is widely expected to put Mr Bush on the defensive and force him to spend more time campaigning in the South and in Texas itself than he might otherwise have done. Senator Bentsen has a powerful statewide organisation.

Editorial comment, Page 16

Senator Bentsen: powerful

Powerful politician, influential state

IN 1976, when Senator Lloyd Bentsen was running for re-election to his Texas seat and simultaneously mounting an ill-fated campaign for the Democratic Party's presidential nomination, his campaign badges simply carried the word "Bentsen", writes Stewart Fleming in Washington.

Those who know him say it was typical of the silver-haired pillar of the Texan political establishment to hedge his bets by not signalling which position he was giving priority. "He tends to steer as close to the middle of the road as you can get without running along the yellow line," was how one Washington political consultant put it yesterday.

In the event, Senator Bentsen was wise not to put all his eggs in the presidential basket.

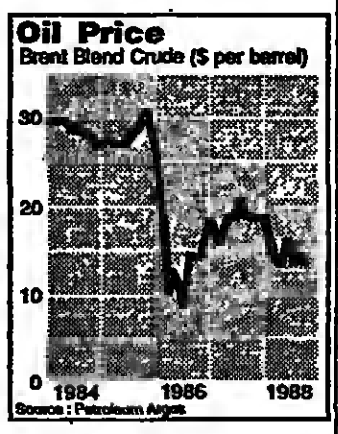
Continued on Back Page

Worries over rise in Saudi output hit crude prices

BY STEVEN BUTLER IN LONDON

BRENT oil prices yesterday slid below $14 a barrel again as concern spread among traders that Saudi Arabia would have to pump more oil to pay for its £10bn ($17bn) arms deal with Britain.

Saudi Arabia was yesterday reported to be exceeding its agreed production quota with the Organisation of Petroleum Exporting Countries in the first two weeks of July by about half a million barrels a day.



The reports of increased Saudi production come as stocks are high in the industrialised countries and there is oversupply of crude oil to the spot markets.

Brent oil for August delivery dropped by 61 cents to close at $13.965 a barrel. At the New York Merchantile Exchange, where prices fell heavily on Monday afternoon, August futures contracts for West Texas Intermediate crude shed 17 cents to $14.61 in mid-day trading.

The bearish sentiment in the market overwhelmed factors which had caused prices to strengthen a week earlier. These included the lost production following the explosion last week at the Piper Alpha platform in the North Sea, which cut 290,000 barrels a day from world oil supplies.

Relatively strong US refined product prices also failed to bolster crude markets, as did talk of a likely meeting of the Opec Price Committee.

Dr Subroto, the Opec secretary-general, is planning to travel to the United Arab Emirates shortly to express Opec concern about the UAE's open flouting of its production quota. Opec said yesterday this would probably be followed by a meeting of the price committee, although this had not been decided.

Mr Ginanjar Kartasasmita, the Indonesian Energy Minister, said in Jakarta that such a meeting should not be held unless it could produce results.

Some oil analysts expressed doubt that Saudi Arabia would have to pump extra oil to pay for its arms deal with Britain, and said that high Saudi production in the first part of the month would probably be balanced by reduced production in the next two weeks.

Mr Geoff Pyne, of Phillips & Drew, calculated that the arms deal could be paid for over 10 years by 300,000 barrels a day of production, a small fraction of Saudi Arabia's current 4.3m b/d production quota.

Prices last flirted with these levels in March, after which Opec surprised the market by calling a meeting of its Price Committee. This was followed by an emergency Opec ministerial meeting to consider proposals from five non-Opec oil producers for a co-ordinated cut in oil output.

However, Opec proved unable to respond.

Winds hinder Piper operation, Page 10

Hong Kong sets up independent market watchdog

By David Dodwell in Hong Kong and David Lascelles in London

HONG KONG is to have a new securities industry watchdog which will be independent of the colony's government and funded mainly by the stock market.

The new Securities and Futures Commission will replace three existing regulatory bodies which were strongly criticised in Mr Ian Hay Davison's study of the shortcomings of Hong Kong's securities industry, laid bare in the world stock market crash in October last year.

Mr Robert Owen, former head of Lloyds Merchant Bank in London, will be chief executive of the new body. Referring to the changes that have already been instituted since the crash, he said: "I am catching a train that's already moving." He described the Hay Davison report as "an excellent bible to work from."

Mr Piers Jacobs, Hong Kong's Financial Secretary, revealed yesterday that the new body, which should be in place early in 1989, would be ruled by four executive and four non-executive directors, who would in turn be overseen by a government-appointed advisory body "comprising market experts."

He added: "We shall endeavour to construct a robust, practitioner-based regulatory system, to be supervised by an effective watchdog equipped with the necessary resources and powers." It was important that the new body should have "market feel."

The Hay Davison report, published early in June, argued that sloppy market supervision had played an important part in allowing flaws in Hong Kong's securities "industry to go unchecked ahead of the October crash. The report noted: "The bodies charged with overseeing the markets had lost effective control."

The reorganisation proposed yesterday follows closely the Hay Davison proposals.

A new stock exchange chief executive – expected to be Mr Francis Yuen, the current managing director in Hong Kong of Citicorp Scrimgeour Vickers, the stockbroker – is likely to be in office by October.

Mr Owen is due to arrive in Hong Kong today, initially to work as consultant to the securities commission during the next five months of transition.

Mr Ray Astin, Hong Kong's current Securities Commissioner, will not continue in office once the body is put into private hands.

Basic Law debate opens, Page 7

De Clercq warns non-EC banks on single-market restrictions

BY GUY DE JONQUIERES, INTERNATIONAL BUSINESS EDITOR, IN LONDON

A SENIOR European commissioner suggested yesterday that non-European Community banks would not be automatically free to benefit from the planned single market in financial services even if they were already licensed to operate in an EC country.

Mr Willy de Clercq, the external affairs commissioner, said in London that before granting such freedom, the EC would want to negotiate a bilateral agreement with the bank's national government to ensure it offered reciprocal treatment to banks from the Community.

In the absence of such an agreement, US and other non-EC banks at present licensed, for example, by the Bank of England to operate in London would not be entitled to expand into other parts of the Community unless they were already established there also.

Mr de Clercq's views do not reflect official EC policy, which is still under discussion. However, they may add to the controversy already stirred up by Brussels' efforts to demand international reciprocity in banking.

These efforts are being strongly resisted by the US and by some Community governments, notably Britain.

The Commission's second draft directive on banking, published earlier this year, proposes that EC banks be permitted to operate freely in all Community countries after 1992, instead of having to seek licences from each individual national authority.

The proposals envisage that non-EC banks not already authorised by any Community country should be granted licences only if Brussels was satisfied that their countries of origin granted reciprocal treatment to Community institutions.

The draft directive is vague about the position of non-EC banks already established in the Community. However, it had been widely assumed that they would be exempt from the reciprocity requirement and would enjoy the same freedoms as their EC competitors.

Mr de Clercq's comments apparently reflect attempts by some parts of the Commission to toughen up interpretation of the draft directive, which must be approved by the Council of Ministers.

He conceded yesterday that negotiating reciprocity agreements could be a complex task, not least with the US, where federal law prohibits even American commercial banks from operating branch networks in more than one state.

PRETORIA PAUSES TO RECONSIDER ITS RELATIONS WITH MOSCOW

President Botha is no longer sure of his attitude to Mr Gorbachev's strategy in southern Africa, Page 18

EUROPEAN NEWS

Moscow introducing new naval tactics, alleges Norway

THE SOVIET Union appears to be making big changes in its global naval strategy, including the withdrawal of submarines and ships from the US coast and the Atlantic Ocean to near their Arctic bases, Reuter reports from Oslo.

Mr Johan Joergen Holst, Norwegian Defence Minister, said yesterday it was too early to say why the changes were being made or how long they would last.

"But we have a number of indications of change in Soviet naval strategy," he said.

"Soviet submarines with short-range missiles have been pulled back from the US (east) coast to the Norwegian Sea, so they cover only Europe. They are no longer sending out submarines with strategic missiles into the Atlantic."

The strategic submarines, most of which are based on the Arctic Kola peninsula just across the border from Norway – which is a member of the North Atlantic Treaty Organisation (Nato) – had also been moved to the Norwegian Sea area.

"From there, they can still hit targets in Europe and North America," Mr Holst said. "It is also some considerable time since we have seen large Soviet manoeuvres with surface ships."

Mr Holst also repeated earlier allegations that the Soviet Union was adapting missile platforms on older submarines to carry more sea-launched cruise missiles (SLCMs).

He said the changes, which affect the most powerful Soviet fleet based on Kola around the port of Murmansk, could have three possible reasons.

"One is that the Soviet navy saves money by not sending vessels out," he said, speculating the navy had been asked by Mr Mikhail Gorbachev, the Soviet leader, to cut spending.

"The next could be that there is a basic reassessment of strategic needs going on. The surface ships may have been held back because one of their main functions is to protect submarines, which have also been withdrawn," he said.

Norwegian defence analysts said the Soviet Union might concentrate more of its sea-based nuclear missiles off Norway.

This would make up for land-based missiles, many based in eastern Europe, which Moscow and Washington agreed to scrap under last year's Intermediate-range Nuclear Forces (INF) treaty.

Mr Holst said: "The third possible reason is that the old Soviet global naval policy of maintaining the forces throughout the world's seas is changing.

"Perhaps the Soviet navy doesn't wield so much power in budget allocations as it did in the time of (former Soviet leader Leonid) Brezhnev."

Mr Holst said he did not know if similar changes had taken place in the Pacific Ocean.

He suggested that Mr Gorbachev might genuinely want to reduce naval superpower tensions.

"I take the Soviet Union seriously when it says it wants to put its forces on a defensive footing," he said. "There is a whole new thought process taking place in the Soviet Union."

The naval and air forces on Kola peninsula represent one of the biggest concentrations of military might in the world, with most of the Soviet nuclear attack submarines based there, as well as hundreds of surface vessels and aircraft.

In time of war, this force could cut Atlantic shipping lanes linking the US with its European allies.

Moscow seeks talks on war risk

BY QUENTIN PEEL IN MOSCOW

AN EAST-WEST conference on ways to avoid the danger of an accidental war in Europe was proposed yesterday by the Soviet Union.

Mr Vadim Perfilyev, deputy spokesman at the Soviet foreign ministry, was elaborating on Monday's proposal by Mr Mikhail Gorbachev, the Soviet leader, for a "war risk reduction centre" involving both Warsaw Pact and Nato forces.

He suggested a system for joint monitoring of satellites and also "joint observation posts."

"Obviously, the most appropriate thing would be to discuss this proposal in detail within the framework of a Stockholm 2," he added, referring to the successful East-West conference that ended in the Swedish capital in September 1986.

At that meeting, the 35 participants – all European states save Albania, plus the US and Canada – agreed to give advance warning of military exercises and to allow observers to monitor large military manoeuvres.

Mr Gorbachev suggested a risk reduction centre in Europe during a speech to the Polish Parliament on Monday.

The foreign ministry official linked that proposal to the talks held in Washington between Marshal Sergei Akhromeyev, chief of the Soviet general staff, and Admiral William Crowe, chairman of the US joint chiefs of staff.

The two sides agreed to establish a joint military working group to review communications between the superpowers to defuse potential future clashes between their armed forces.

Mr Perfilyev said a war risk reduction centre, or centres, aimed at preventing any surprise attack in Europe, could involve all European nations.

The experience of the Stockholm conference on Confidence-Building and Security in Europe "provides a good foundation," he said.

He rejected any idea of a unilateral Soviet withdrawal of troops from Eastern Europe. This comment came in response to suggestions by US officials, in what appeared to have been an effort at pre-emptive propaganda.

The US officials said last week that Moscow might be preparing to withdraw its troops from Hungary. There had also been speculation that a withdrawal of Soviet forces from Poland might be timed to coincide with Mr Gorbachev's visit to Warsaw.

"We do not see any need for unilateral steps in conditions where the requirement of public opinion is to begin negotiations as soon as possible on reducing armed forces throughout Europe," Mr Perfilyev said.

The same line was taken by Marshal Akhromeyev before the Moscow summit, when he insisted that any Soviet troop withdrawal would only be part of a negotiated deal with Nato.

Editorial Comment, Page 22

Kohl will attend Bundesbank meeting

BY HAIG SIMONIAN IN FRANKFURT

CHANCELLOR Helmut Kohl is to attend tomorrow's regular meeting of the Bundesbank's governing council, the first time a West German head of government has done so since Mr Helmut Schmidt 10 years ago.

The meeting will allow an exchange of views on economic matters and on important currency questions, according to the Bundesbank. The issue of a possible European central bank may also come up.

Under the Bundesbank's founding articles, council meetings are open to members of government, although they cannot dictate policy to the notionally-independent central bank.

Mr Gerhard Stoltenberg, the federal Finance Minister, has attended several council sessions. However, participation by a Chancellor is very rare. Apart from Mr Schmidt's visit at a time of differences over the planned European Monetary System, the last Chancellor to take part was Mr Konrad Adenauer in 1950.

Observers suggest, however, that too much should not be read into tomorrow's meeting, and no major surprises are expected. Mr Kohl has been visiting a number of independent institutions recently, and Mr Stoltenberg will not be accompanying him.

The Chancellor may also seek the Bundesbank's views on current interest rate and foreign exchange policy. The discount rate went up to 3 per cent from 2.5 per cent at the end of June and there is continued speculation that the bank may push rates higher.

● West Germany had a DM8.6bn ($2.76bn) current account surplus in April, the most recent monthly figure available, the Bundesbank revealed yesterday.

The foreign trade surplus rose to DM9.5bn, up from DM8.6bn in March and DM9.2bn in April 1987. However, the figures remain difficult to interpret owing to recent changes in compilation methods, according to the bank.

An unusually high surplus of DM1bn in invisible earnings contributed largely to the rise in the current account following a similar-sized deficit the previous month.

French social security system faces big shortfall

BY PAUL BETTS IN PARIS

THE FRENCH social security administration faces a record shortfall of FFr 32.7bn ($5.1bn) next year as a result of a dramatic deterioration in the deficit of the country's pension system.

The shortfall forecast by the social security accounts commission yesterday is expected to pose a delicate economic and social problem for the new minority Socialist Government.

Mr Claude Evin, the Social Security Minister, acknowledged that the Government would have to take serious action to tackle the cash and structural problems of the system later this year.

However, he said that the Government would first consult all the social partners before introducing new measures.

He added that "rigour and solidarity" would be the Government's priorities in addressing the problem.

The better-than-expected economic environment, the former right-wing Government's cost-cutting programme and a series of stop-gap financing measures enabled the social security accounts to be nearly balanced last year: there was a deficit of only FFr 1bn after one of FFr 20bn the year before.

This year's figure is also expected to be lower than originally expected at FFr 11bn.

But the shortfall is expected to worsen markedly next year because of the pension system deficit which is forecast to rise to FFr 34.4bn from FFr 17.6bn this year and FFr 10.3bn last year.

Queen Elizabeth greets President Kenan Evren on his arrival in London yesterday for the first visit by a Turkish head of state for 21 years. Police arrested a dozen people demonstrating against what they called Gen Evren's "reign of terror."

Politics and religion mingle in Gorbachev visit to Krakow

BY CHRISTOPHER BOBINSKI IN KRAKOW

MR MIKHAIL GORBACHEV mixed politics and religion, as well as adding a dash of his own family history, on the second day of his week-long visit to Poland.

First, he and his wife Raisa, accompanied by Gen Wojciech Jaruzelski, the Polish party chief, beat a well-worn path to Poronin in the southern Tatra Mountains where Lenin stayed in 1913. After paying homage to the founder of the Soviet state, its present leader returned to the medieval city of Krakow and went into St Mary's Church in the main square to gaze at its famed 15th century altar.

A local bishop was on hand to greet him in the absence on holiday of Cardinal Franciszek Macarski, the head of the diocese.

Mr Gorbachev also planned to retrace his father's footsteps and visit the house where Mr Gorbachev Sr had lain wounded towards the end of the war and which, to the evident embarrassment of the local authorities, is now in the hands of the Roman Catholic Znak publishing house.

The Soviet leader carefully avoided the giant Lenin steelworks where a mere two months ago a strike crippled output for more than a week until riot police moved in. A Solidarity trade union cell claiming thousands of supporters now flourishes more or less openly at the plant and its 24-man steering committee has written to Mr Gorbachev warning him that there is more to Poland than the official version.

> In a throwback to the bad old ways which perestroika is supposed to be ending, Mr Gorbachev has been preceded wherever he goes by cleaners and painters supervised by anxious officials. Roads have been repaved, flower beds created and fences painted

Later in the afternoon Mr Gorbachev attended a friendship rally at the Wawel Castle, with Soviet young people flown in specially and Poles hand-picked by the authorities liberally interspersed with recruits from local army units.

The crowd could be relied upon not to provide surprises such as occurred the previous day when four supporters of the pacifist Freedom and Peace movement clambered on to the roof of the Cloth Hall in the main square showering leaflets on passers-by and flourishing banners calling for the withdrawal of Soviet troops from eastern Europe and an end to the Warsaw Pact and Nato alliances.

In a throwback to the bad old ways which perestroika is supposed to be ending, Mr Gorbachev has been preceded wherever he goes by cleaners and painters supervised by anxious officials keen that their patch should make the right impression. New layers of asphalt have been laid on roads the Gorbachev party has used, flowers have been planted in beds which never existed before and fences have been rapidly repainted.

For example, for the past two weeks the Krakow city authorities have been fussing at the Znak to tidy up a centuries' old house it is renovating and which Mr Gorbachev will be glancing at for a few minutes. But in a clear breach of "openness" no one at the publishers has been told officially the reason for all this official concern.

The issue poses a bit of a problem because Znak is part of one of the most independent officially-tolerated Catholic groups in Poland. It is closely linked to Pope John Paul and is highly suspicious of present government efforts to reach an accommodation with the opposition.

Local officials therefore have been torn between making sure the visit to the house goes well and ensuring that no "inappropriate" meetings take place with the Soviet leader.

Poles foot the bills in W Germany

By Leslie Colitt in Berlin

SOME OF the Poles who have not lined the streets to greet Mr Mikhail Gorbachev, the Soviet leader, are pouring into West Berlin in unprecedented numbers, voting with their feet against their own troubled economy and seeking a few crumbs from West Germany's cornucopia.

A steady stream of Polish cars rolls towards the city daily across the 100km of East German autobahn separating Berlin from the Polish border. On any given day this summer, up to 25,000 Poles are in West Berlin of whom 14,000 remain longer to work or to eke out an existence from social welfare payments.

The number visiting West Berlin has risen with the worsening of the economic situation in Poland. One young man from Krakow packed food bought in a West Berlin discount market this week into his tiny Polski Fiat. Some of it was for himself, he said, the rest was for resale back home.

Several Poles work hard in West Berlin for a few months and then live well off their earnings in Poland the rest of the year. Private Polish tradesmen regularly commute to West Berlin to buy supplies unobtainable at home. The city is a mecca for Poles because they can enter without a visa and stay a month. In practice, they are officially tolerated for a year or more.

A growing number are applying for political asylum although only 8 per cent gain this status. The remainder are allowed to remain in the city where they live on public welfare.

This has provoked resentment among some West Berliners and last month saw a spate of fire bombings of Polish cars. However, the authorities insisted these were not politically motivated.

In the first six months of this year 1,700 Poles applied for asylum in the city, 60 per cent of all asylum applicants. In West Germany 2,343 Poles applied last month for political asylum out of a total of 7,923.

The number of Poles applying for visas to visit West Germany is expected to hit a record 700,000 this year, a jump of 200,000 over 1987.

Yugoslavian leaders call for talks on labour unrest

YUGOSLAVIA'S communist leaders yesterday decided to call a special party central committee session to discuss a wave of worker unrest, Reuter reports from Belgrade.

"Strikes are undoubtedly Yugoslavia's number one question today," a statement from the 23-member Presidency said.

"The issue should be tackled by the central committee at one of its first sessions this autumn," it said.

It is the first time the party leadership has called a central committee meeting specially to discuss the strikes, which erupted after Mr Branko Mikulic, Yugoslavian Prime Minister, launched a strict austerity programme last May, freeing prices and curbing wages growth.

With inflation currently at 175 per cent, the measures have taken a heavy toll on workers' pockets, triggering increasingly political demonstrations.

The authorities have been shaken by several big protest marches to Parliament and fierce verbal attacks on the country's leaders by workers in recent weeks.

The Presidency statement said strikes were no longer due to low pay but to "overall dissatisfaction."

It said Yugoslavia should not retreat from policies intended to pave the way for structural economic reforms next January.

Mr Marjan Orozen, president of the official Trade Union Confederation, told a Belgrade newspaper thousands of workers were urging a general strike in telegrams sent to his organisation.

Mr Orozen said many workers had lost faith in the Communist Party and were calling for the sacking of the current leadership.

Heavy jail term sought for Turkish columnist

BY JIM BODGENER IN ANKARA

TURKEY'S STATE prosecutor has demanded a heavy jail sentence for one of the country's most noted columnists, Mr Mehmet Ali Birand, for writing an article in the Istanbul daily newspaper Milliyet based on interviews with Mr Abdullah Ocalan, leader of the outlawed Kurdish Workers Party (PKK). The trial is expected to start in a fortnight.

Sentences of 7-15 years are being sought for both Mr Birand and Milliyet's editor, Mr Eren Guvener. They have been charged under sections of the penal code which prohibit racialist statements, or the weakening of Turkish nationalist sentiment.

The PKK is waging a vicious separatist guerrilla war against the security forces in the south-east. However, only seemingly innocuous comments by Ocalan were quoted in the article, such as how much he liked the Galatasaray district in Istanbul and that he had never carried a gun.

But just the fact of the meeting, which took place in the Bekaa valley in Lebanon, was evidently too much for the authorities. Mr Turgut Ozal, the Prime Minister, was reportedly incensed by the article. The series of three articles was stopped by the Government after the first appeared on June 16.

Soviet leader's offer to pull out aircraft leaves West perplexed

WHEN Mr Mikhail Gorbachev, the Soviet leader, proposed a pan-European arms summit and offered to withdraw aircraft from Eastern Europe – on condition that Nato desists from redeploying F-16 fighters in Italy – the reaction in many Nato capitals was identical: the offer, it was said, represented a distraction from the Vienna talks aimed at setting up a new forum for conventional arms talks. JUDY DEMPSEY reports on progress in the Vienna meeting and on how the Soviet proposal has been greeted.

MR GORBACHEV'S remarks have left Nato diplomats perplexed.

"How do you expect us to respond?" commented one. "We will not reply to public communiques of this sort. We have been sitting here in Vienna since February of last year trying to work out a new mandate for reducing conventional weapons."

The proposed conventional stability talks (CST), involve all 16 Nato and seven Warsaw Pact states. And they include France, unlike the 14-year-old, deadlocked Mutual and Balanced Force Reduction talks (MBFR) which are expected to be superseded by the CST.

If a mandate is agreed, the talks will be linked to, but retain a certain antonomy from, the Conference on Security and Co-operation in Europe (CSCE) which is holding a review meeting in Vienna. All European states save Albania, plus the US and Canada, take part in CSCE, 35 countries in all.

France, which has been reluctant in the past to participate in any new "bloc-to-bloc" arms talks, now takes part in the 23 talks on condition that the linkage with the CSCE is maintained.

However "linkage" does not imply active participation of the remaining 12 neutral and non-aligned (NNA) states: they would simply be informed on progress.

PRESIDENT Francois Mitterrand of France yesterday gave a cautious welcome to Mr Mikhail Gorbachev's proposal for a pan-European summit, describing it as interesting, Reuter reports. But, he said, the Soviet leader seemed to be trying to "decouple" the US from its European allies and stressed that a true East-West balance of forces would require unequal cuts.

Mr Mitterrand recalled that at Nato's March summit in Brussels he had demanded priority for cutting imbalances in conventional arsenals in Europe.

Questioned about the Gorbachev proposal, he said: "The echo I hear is interesting." But, apparently referring to the Warsaw Pact's advantage in some categories of weaponry, Mr Mitterrand said: "If you make equal reductions on either side, the imbalance will persist." He declined to say if he would attend such a summit meeting.

So it was not suprising that Nato diplomats were somewhat cool towards Mr Gorbachev's proposals for a pan-European conference, which appears to imply inclusion of the NNA and exclusion of the US and Canada.

"If that means getting back to including the NNA, it's just not on," a Western arms expert said. Hitherto, both the Warsaw Pact and Nato agree thet the NNA should not be directly involved in any new CST.

Nato diplomats were equally dismissive of Mr Gorbachev's proposal on reducing aircraft in Eastern Europe in return for Nato dropping plans to redeploy 72 F-16 fighters from Spain, which has ordered them out, to Italy.

"It's a clever move. But it would mean that the US would, in effect, be prevented from adjusting or increasing its aircraft capability in Europe," said one arms expert involved in the 23 talks.

It has to be said, however, that in long run such a prospect would not be out of step with some strands of West German thinking.

Other Western diplomats see the offer on aircraft as cynical. "Look, the Warsaw Pact have numerical supremacy in tanks and artillery. What matters is the balance of forces which both sides will eventually address if and when the 23 get off the ground" one argued.

In Vienna, the "if" and the "when" are now key words. While the Nato and the Warsaw Pact want the 23 to start as soon as possible, two outstanding issues prevent them from doing so.

The first is the question of whether or not systems that can carry both nuclear and conventional weapons should be included the mandate. Nato is insisting that in the CSTtalks, nuclear weapons will not become subject to negotiation." The Warsaw Pact is arguing that this exclusion clause could mean that certain conventional weapons being left out of CST.

Nato is awaiting a reply to it latest compromise proposal.

The other sticking point has emerged in the related CSCE negotiations. It stems from Romania's refusal to give undertakings on human rights.

The Soviet delegation is now saying that if the West made more compromises on human rights, then perhaps Romania could accept it.

Theoretically, CST could begin without a final concluding CSCE document. But then France could shy away might from the CST, citing its antipathy to bloc-to-bloc talks.

Equally, some Nato diplomats are determined to sit it out in Vienna until they get what they call a balanced outcome between all parts of the CSCE process.

But Western unity is fraying. The West Germans, the French and sections of some other Western delegations, reckon that this is the time to strike a deal.

"We don't know if Mr Gorbachev will survive so maybe we should make some compromises and give him a chance." Other Nato diplomats find such arguments facile. "Precisely because we have a leader like Mr Gorbachev, we should go for the highest possible deal which future Soviet leaders would have to stick to."

Nato jets fly into a storm of controversy

BY DAVID MARSH IN BONN

THE headquarters at Mönchengladbach in north west Germany of 68,000 British army and RAF personnel is one place in the Federal Republic where enthusiasm about the reform policies of Mr Mikhail Gorbachev is kept within distinct limits.

The British forces in Germany include nearly one third of the UK's peacetime army and 40 per cent of the RAF's front line jet aircraft. Their commanders have to live with cooling West German enthusiasm for the concentration of 400,000 military personnel from six foreign Nato countries stationed permanently on their soil.

But General Sir Brian Kenny and Air Marshall Sir Anthony Kingsley, commanders in chief respectively of the British Army of the Rhine and RAF Germany, insist that peace overtures from the Soviet leader do not detract from the need for a firm continued presence across the north German plains.

"The problem brought on by developments in the Soviet Union – Gorbachev and glasnost – is that they have given the impression that peace has broken out," says Sir Anthony, who since April last year has been in charge of seven squadrons of Tornado fighter-bombers as well as Harrier aircraft and helicopters.

"This is not yet so . . . we have to point out that we have seen no diminution of the threat."

Sir Brian, who took up the army command last November, controls 56,000 British troops equipped with Challenger and Chieftain tanks, as well as short range Lance nuclear missiles and nuclear-capable artillery.

"I think relations with the Germans are better than they have ever been before – both on the military and on the social integration side," he says, although he admits: "The lower tolerance of local people towards military training is a fact of life. The West Germans' standard of living has gone up – and experience of the war is less."

Opinion polls indicate that, partly because of the new detente between the superpowers, perception among the West German public of the military threat from the Warsaw Pact has fallen to the lowest level since Nato was set up. At the same time, discontent about training by both armies and air forces has increased.

A particular focus of controversy is low-flying practice by Nato air forces which has resulted in a number of accidents this year. Last week the state parliament in the Rhineland-Palatinate in south west Germany – particularly affected by low flights by US F16 jets – called unanimously for a halt to flights below 300 metres.

The US has lost five F16s and a helicopter in crashes this year, with British and West German air forces losing three aircraft each. The RAF has cut low flying in West Germany by 14 per cent during the past six years and Sir Anthony says bluntly that if the RAF is to remain an effective force low flying cannot be reduced further.

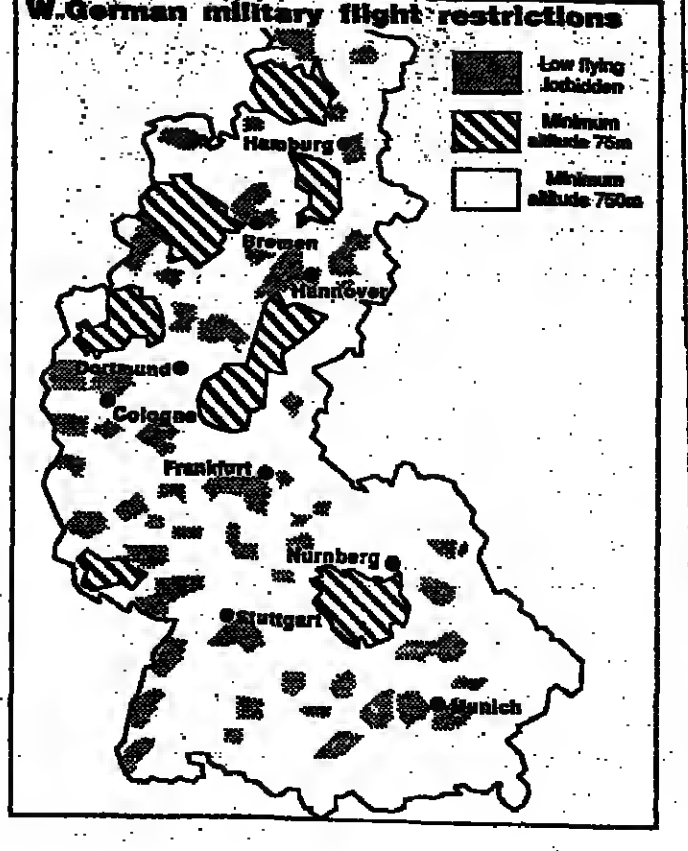
"Half our low flying is now done outside the Federal Republic – in the UK, North America and Sardinia, including all 100 feet flying and all Tornado night flying. We are here as part of forward defence – a German requirement of the alliance. But the burden of our operations does not fall on the Germans – it falls on other people."

One other area where the British forces are likely to feel political controversy in coming years concerns the question of upgrading Nato's short-range nuclear missiles based in West Germany during the 1990s. Britain feels particularly strongly the need to modernise the Lance, deployed by the US and five other Nato armies. The aim is to maintain deterrence after last year's Intermediate Nuclear Force agreement between the US and the Soviet Union which abolishes all nuclear missiles of more than 500km range.

Sir Brian points out that the British army's 110km range US-made nuclear-tipped Lance missile will be out of date around 1995 and priority is clearly being given to extending and modernising the range. "I think that future negotiations must look to see if a possible trade-off could take place between present battlefield artillery weapons and a follow-on to Lance," he says. And he hints at a new role for air-launched stand-off missiles mounted on Tornados.

Partly because of the difficulty in winning political support in West Germany for new ground-based nuclear weapons, Sir Anthony says they are more likely to be deployed in the air. The air-launched missile on which Britain has started studies with the US and France could well find its way on to German air bases in the 1990s.

W.German military flight restrictions



Belgrade strike talks

Yugoslavia's leaders decided yesterday to call a special central committee session to discuss a wave of worker unrest, Reuter reports from Belgrade.

"Strikes are undoubtedly Yugoslavia's number one question today," a statement from the 23-member party Presidency said.

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Mexican electoral body set to confirm Salinas victory

BY IVO DAWNAY AND DAVID GARDNER IN MEXICO CITY

MEXICO's Federal Electoral Commission (CSE) looked set last night to announce victory by a clear majority for Mr Carlos Salinas de Gortari, the candidate of the long-ruling Institutional Revolutionary Party (PRI), in last Wednesday's presidential election.

But, after a week of angry opposition claims of widespread electoral fraud by the PRI, the official count was yesterday under renewed attack as invalid and biased towards the government party.

With 80 per cent of the vote now counted, the CSE figures have so far given 8.1m votes to Mr Salinas, 3.9m to Mr Cuauhtemoc Cárdenas of the left-nationalist National Democratic Front (FDN) and 2.4m to Mr Manuel Clouthier of the right-wing National Action Party (PAN).

The results also indicate that the opposition has already won an unprecedented 42 out of 300 directly elected deputies in Congress to which should be added a large majority of the 200 seats distributed through proportional representation.

In addition, the FDN is thought to have gained at least four Senate seats – the first time that any opposition grouping has entered the chamber.

However, both Mr Cárdenas and Mr Clouthier are continuing to reject the CSE's findings outright.

In a crowded press conference on Monday, the FDN leader said his coalition's readings of 8.5m votes cast – about half the total – showed his own campaign for the presidency ahead with 39 per cent, followed by 35.4 per cent for Mr Salinas and 22 per cent for Mr Clouthier.

Mr Cárdenas said that in some parts of the country the results showed the votes for tha PRI exceeding the number of electors registered. Rejecting the official CSE figures, he warned that the Mexican people would not accept government "cheating" nor an outcome brought about by fraud.

He went on to warn that nationwide protests could be called if all the coalition's claims of ballot rigging and other irregularities were not adequately investigated by the Electoral Commission.

Asked if the long delay in announcing the official results had not dissipated popular indignation over alleged frauds, Mr Cárdenas said that the public's reaction remained uncertain.

"People's hostility towards the Government could be diluted, but because of the credit it has brought upon itself it could also be mobilised," he said. "It could grow very fast."

Despite the barrage of accusations from the opposition, the Government has continued to insist that the elections have been the cleanest in Mexico's history. Nevertheless, sporadic protests have already been reported across the country.

In Veracruz, the populous Gulf of Mexico state, demonstrations have been reported in 11 municipalities. Similiar protests by the FDN have also occurred in the Pacific state of Guerrero and the southern state of Tabasco. In the north of the country supporters of the PAN have also demonstrated, at one time closing down border traffic in Ciudad Juarez.

But the key test of the opposition's ability to mount a co-ordinated campaign against the official results is likely to coma at the weekend in a demonstration called by the PAN in Mexico city.

So far, Mr Cardenas has not permitted his supporters to back the protest.

Salinas: 8.1m votes

Pentagon resumes Navy orders payments

By Lionel Barber in Washington

THE Pentagon has resumed payments to companies involved in nine suspended US Navy electronic contracts valued at almost $1bn (£592m).

The decision represents an abrupt U-turn by Mr Frank Carlucci, the US Defence Secretary, who 12 days ago ordered the freezing of payments after unsealed government affidavits suggested that the contracts might have been tainted by fraud.

The US Navy lifted the suspension after reviewing information in the affidavits filed in a federal court in Dallas.

The review indicated that the contracts were not tainted, the Navy said.

The US Justice Department is investigating widespread fraud in Pentagon procurement which involves up to 100 contracts valued in tens of billions of dollars and allegations of influencing peddling and bid-rigging.

Payments are to resume to nine companies, identified as Litton Industries, Unisys, TRW, Continental Electronics, ITT, Loral, Canadian Commercial Corporation, the Hughes Aircraft division of General Motors and Raytheon.

However, a subsidiary of a Californian-based defence contractor, Varian Associates, will remain suspended, along with an officer of the company and two industry consultants.

● The US Comptroller General, Mr Charles Bowsher, warned Congress to expect "many big cost overruns" in Pentagon programmes which are being stretched out on account of budgetary constraints.

UN delays debate on Iranian airliner

BY OUR UN CORRESPONDENT IN NEW YORK AND ANDREW GOWERS IN LONDON

THE United Nations Security Council has postponed its debate on the US Navy's shooting down of an Iranian airliner until tomorrow apparently in order to allow time for more consultations between Iran and non-aligned Council members.

The postponement of the meeting, called at Iran's request and due to take place yesterday, will also permit the International Civil Aviation Organisation, a UN body based in Montreal, to take up the issue.

The ICAO is to meet today to consider an Iranian request for an international inquiry into the disaster, in which 290 people were killed on July 3.

The incident has given rise to a flurry of diplomatic activity in New York over the precise wording of a Security Council resolution.

Mr Ali Akbar Velayati, the Iranian Foreign Minister, has been closeted with representatives of countries such as Algeria, a traditional friend of Iran, and Yugoslavia, whose nationals were among those killed in the disaster.

He has apparently been pressing for a toughly-worded condemnation of the US and a call for the withdrawal of the American fleet from the Gulf, but so far there has been no consensus on this among the non-aligned Council members, who would have to present any resolution to the meeting.

The US and Britain, on the other hand, would like the debate to focus on efforts to end the Gulf war. They point to the fact that it is nearly a year since the 15-member Council passed resolution 598, which called for an end to hostilities but which has still not been accepted in its entirety by Iran.

"People aren't bowled over by the sudden Iranian interest in the Security Council," said one sceptical Western diplomat. "We're well aware of the danger that Iran will try to split the Council and thus undermine the authority of resolution 598."

"The Iranians are misjudging the mood of the Council if they think that anyone will go along with anything condemning the US outright."

It is not yet clear what Iran will get out of the Council meeting, but one possibility is that the deliberations will lead to a relaunch of efforts by Mr Javier Perez de Cuellar, the UN Secretary-General, to negotiate an end to the Gulf war.

Reagan names law post choice

BY OUR FOREIGN STAFF

PRESIDENT Ronald Reagan yesterday nominated Mr Richard Thornburgh, former governor of Pennsylvania, to replace Mr Ed Meese as US Attorney-General.

Mr Thornburgh, a safe political choice often tipped for high government office, is expected to win easy US Senate confirmation.

The top law enforcement post fell vacant last week when Mr Meese, a long-time friend and adviser of President Reagan, said he would resign early next month. Mr Meese said he had been vindicated by a special prosecutor's decision not to file criminal charges against him.

Mr Thornburgh's nomination removes him from consideration as a running-mate to Vice-President George Bush, the Republican presidential candidate.

The former governor, aged 55, earned a reputation for unruffled leadership when, after only 72 days in office, he had to tackle the Three Mile Island nuclear accident in 1979. Mr Thornburgh was governor of Pensylvania for eight years.

President Reagan announces he will nominate Richard Thornburgh (left) for US Attorney General

President Reagan praised Mr Thornburgh as a "tough-minded crime buster" who he said had won an unprecedented number of convictions in six years as the US attorney for western Pennsylvania.

"He is the ideal choice for Attorney-General and I urge the Senate to act swiftly to confirm him," President Reagan said.

Mr Thornburgh refused to answer questions on whether he would have to look into investigations of Mr Meese.

He added, however: "My intention in this, as in any area, is to follow the evidence wherever it may lead."

Canada set to water down tough War Measures Act

BY DAVID OWEN IN TORONTO

THE PLEDGE made by Mr Pierre Trudeau, former Canadian Prime Minister, to water down Canada's draconian War Measures Act will finally be made good nearly 18 years after the event this week when Royal assent will be given to adopt a replacement – Bill C-77.

The Act achieved notoriety during the Quebec crisis of October-November 1970 when it was used to justify the arrest and detention without access to lawyers of 465 people from Quebec following two kidnappings by the terrorist Front de Libération du Québec (FLQ).

The naw legislation is more comprehensive than its predecessor, dividing emergencies – and tha appropriate government response – into the following four categories.

● Public welfare emergencies. These would cover floods, diseases, accidents or pollution. Authorities could order the evacuation of areas, restrict travel and requisition property.

● Public order emergencies. Confronted by threats to national security "so serions as to be a national emergency," the cabinet could prohibit public assembly or travel within a designated area.

● International emergencies. In these cases, the Government could control industries, prevent citizens from leaving Canada, appropriate property and authorise searches and seizures without warrants.

● War emergencies. In situations of war or imminent armed conflict involving Canada or an ally, the cabinet could give any orders it believed to be "necessary or advisable."

In all cases, the Government's use of the act would be subject to later revocation by either house of Parliament. The new act, unlike its predecessor, is subject to the Charter of Rights and Freedoms, and would incorporate provisions to compensate those who suffer loss, injury or damage because of its implementation.

The old act, promulgated in 1914, allowed cabinet to govern by decree when it perceived the existence of "war, invasion or insnrrection, real or apprehended."

It was proclaimed in force during both world wars.

Caracas delay on bonds

BY CARRIE FIGDOR IN CARACAS

THE Venezuelan Government has put off payment on nearly $1bn of outstanding public debt bonds in an effort to protect its dwindling foreign reserves.

The bonds held over are held by Venezuelan government entities and had scheduled maturities between May and December 1988.

Staggered payments on the six dollar-denominated issues, which total $960m (£562m), will be paid from May 1990 until June 1992. A further $100m of maturing Republic of Venezuela bonds held by private investors were paid off, the Finance Ministry said yesterday.

The unusual measure is in response to the depleting levels of cash in the central bank.

Mr Mauricio Garcia Araujo, the central bank president, said recently that the bank's operative reserves had fallen to $2.8bn, the lowest level during the current administration.

In at least two recent meetings with foreign bank representatives in Caracas, Mr Garcia pressed creditors for new funds, especially the renewal of maturing trade lines of credit.

Bankers did not commit themselves.

Inquiry opens into Hawaii Boeing accident

A FOUR-DAY hearing on the near-disintegration of a Boeing 737 over Hawaii began last night, AP reports from Seattle.

The main purpose of the hearing, held by the US National Transportation Safety Board, is to help determine why an 18-ft piece of fuselage blew off the Aloha Airlines aircraft on April 28.

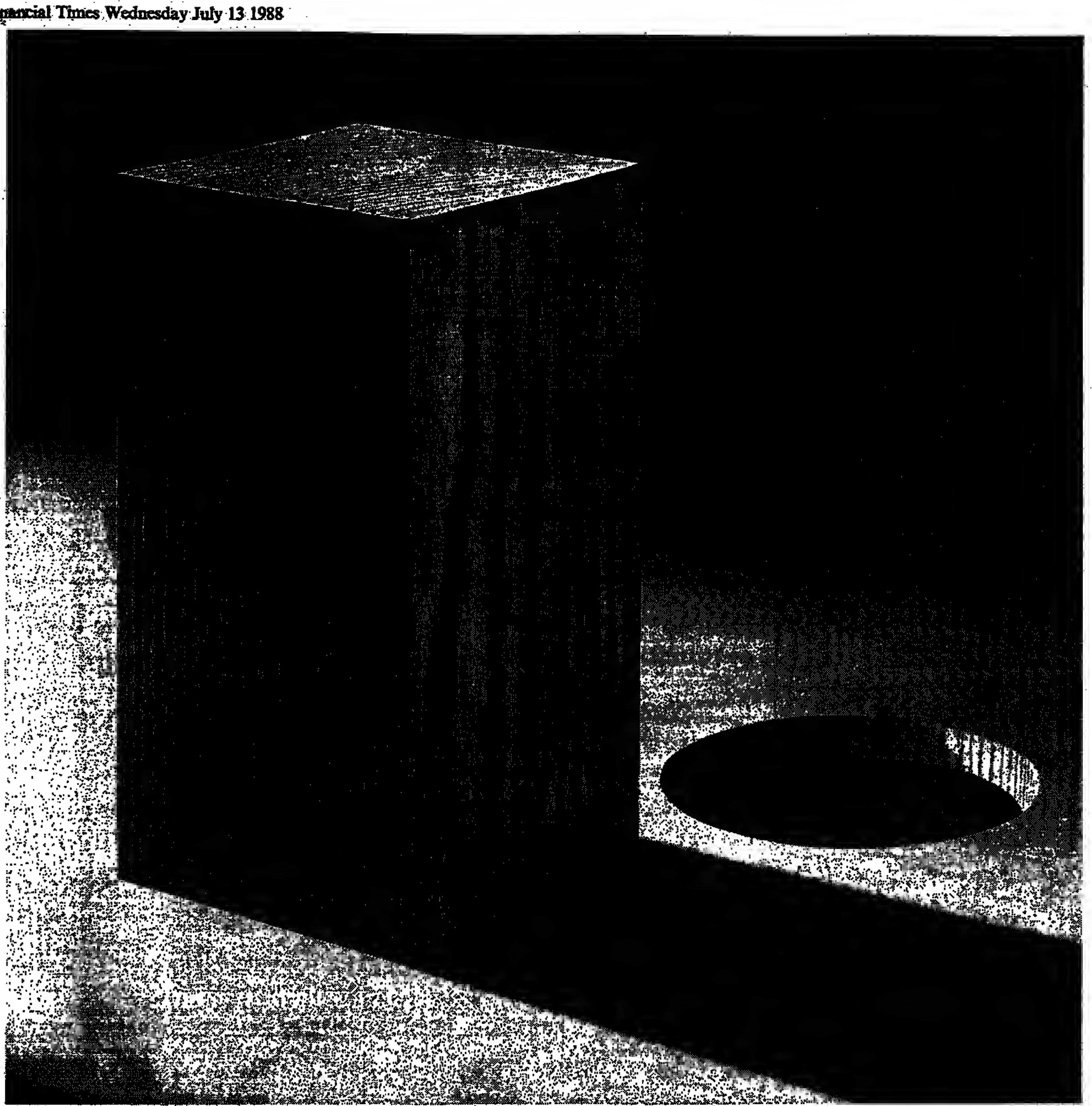
The four-member inquiry panel is a fact-finding body and will not discuss its findings or conclusions. The report would not be released for months but safety recommendations to prevent a recurrence of such an accident could be made at any time.

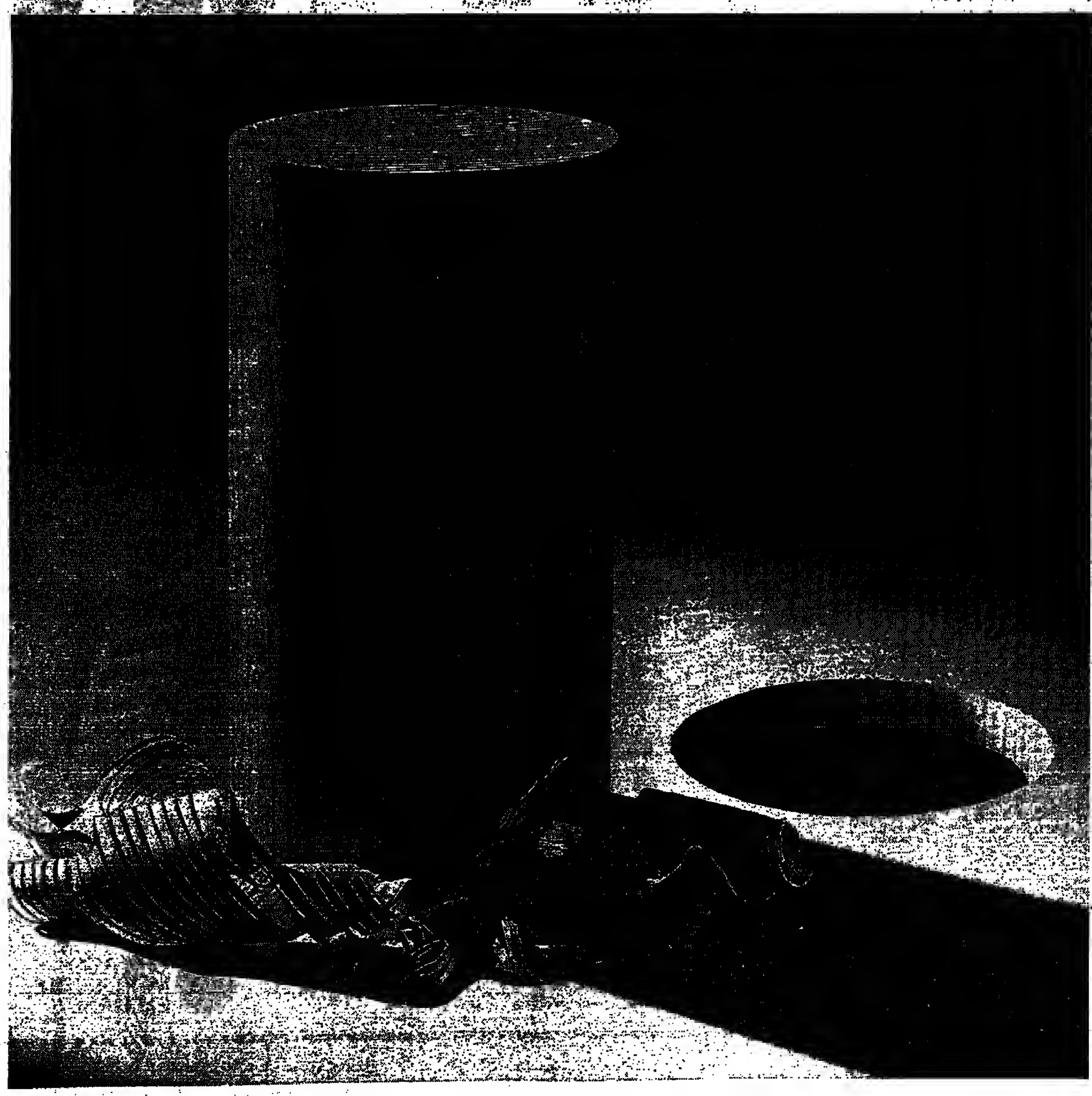
A flight attendant was swept to her death and 61 of the 94 other people aboard Aloha flight 243 were hurt when the cabin top peeled away on a flight from Hilo to Honolulu, exposing the first-class section to the open air at 24,000 feet.

The pilot and co-pilot managed to land the crippled jet 13 minutes later in Maui, although one of the two engines failed. Aviation experts said they were amazed the aircraft could land at all.

The damaged aircaft and two other Aloha 737-200s, both later grounded, had the highest number of landings of any Boeing commercial jets, officials of the aircraft manufacturer said after the accident. The damaged aircraft was built in 1969.

TRAIN THE WORKERS WITHOUT JOBS, TO DO THE JOBS WITHOUT WORKERS.





Brazil and Iraq close to big countertrade deal

BY JOHN BARHAM IN SAO PAULO

BRAZIL and Iraq are close to initiating a major countertrade operation, a Foreign Ministry official in Brasilia said yesterday.

Brazil and Iraq signed a countertrade protocol last December that called for $1.2bn (£705m) of Brazilian exports a year, half to be paid in oil and half in hard currency.

The protocol was aever implemented because the two sides could not settle disputes over their existing trade relations. These differences have now been virtually eliminated and the protocol could be implemented soon.

"We have received an Iraqi proposal and we are studying it. Within one moath we could reach an accord," the official said.

Under the December protocol, Brazilian companies will ship $600m of manufactures a year to Baghdad. Volkswagen will ship a further $600m of parts and cars every year from its Sao Paulo factories.

Brasilia will finance the hard currency payments over 30 months and charge international interest rates.

Tha protocol was delayed because Brazilian companies operating in Iraq have demanded extra payment to cover higher costs caused by the eight-year war with Iran.

The Foreign Ministry says Iraq has already begun paying its $100m trade debt with Brazil.

Originally, equipment shipped to Iraq entered via the port of Basra which at various times has been under pressure from Iranian forces. Equipment now has to be shipped through Jordan or Syria.

Brazil is a pioneer in large-scale countertrade operations. In 1984, Cotia, a Sao Paulo trading company, mounted an elaborate oil-for-goods operatioa with Nigeria. However, that agreement folded in 1986.

Later, Norberto Odebrecht, a civil engineering company, won a $600m coatract to build the Capanda hydroelectric dam in Angola. The Angolans have guaranteed access to Brazilian trade credits by supplying 6,000 bpd of crude oil for 12 years.

Iraq is Brazil's largest countertrade partner. The December protocol is based on a 1981 contract worth $600m signed with Volkswagen in 1981.

EC to publish revised dumping inquiry rules

BY DAVID BUCHAN IN BRUSSELS

THE EC Commission is shortly to publish revised rules for the 50 to 60 anti-dumping investigations it conducts every year on foreign products.

The rules, approved by the EC Council of Ministers this week, consolidate in codified form existing anti-dumping investigation practice built up over the years.

But an amendment, which the Commission insists conforms with the anti-dumping code of the General Agreement on Tariffs and Trade, clearly warns exporters that they must reflect any dumping duty imposed on them in the price of their exports to the Community or face an additional duty.

Commission officials complain that exporters often try to nullify the effect of an anti-dumping duty by bearing the cost of the duty themselves, not passing the full extent on in the price of their products.

"As such action increases the margin of dumping, provision is made for the imposition of additional anti-dumping duties in these circumstances," the Commission said yesterday.

Another ameadmeat code warns exporters under investigation against supplying false or misleading information.

The aim is to protect the Commission from legal challenges to any of its decisions based on such information. The Commission, acting on behalf of the 12 EC states, opens 20 to 30 dumping investigations a year, and reviews rather more existing cases.

HK to have second telecom network

By David Dodwell in Hong Kong

HONG KONG Telecommunications was yesterday licking its wounds following a government decision to allow a competing network to be set up.

The Cable and Wireless subsidiary generates the lioa's share of the UK parent's profits from its monopoly franchises in the British territory.

Teaders will be invited in September for a licence to operate the second network, and a separate licence to provide e cable television service. The successful bidders will be announced next March.

In spite of warnings that such e ruling would lead to disruption and deterioration in telecommunications services generally acknowledged to be among the best and cheapest in the world, government officials have opted for enhanced competition.

"Consumers, particularly business users, will benefit from a greater range of services at lower costs," Mr Rafael Hui, acting secretary for economic affairs, argued yesterday.

"A second network, permitted to carry cable television and non-franchised local services, will not affect Hong Kong Telecom's position in the provision of both international and local telephone services, and will not put pressure on the telephone company's existing charges."

The ruling will be seen as a breakthrough for a consortium headed by Hutchison Telecommunications, which includes British Telecom, which has coatested HK Telecom's monopoly of local telecommunications.

The ruling is a particular blow to HK Telecom because it explicitly forbids the group from using its existing network to transmit cable television signals, and limits the group's equity stake in any second network licence to 15 per cent. The new licences will be for 15 years.

The new licencees will not be allowed to usurp any of the franchised services provided by Hong Kong Telephone and Cable and Wireless.

Maggie Ford reports on a complaint to the EC Commission against S Korea's Hyundai

Slow boat to Europe comes under fire

THREE YEARS ago, the idea of sending a shipment of peat moss on a lazy tropical voyage from Europe to Australia via Tahiti and New Caledonia may have seemed a trifle uneconomical, especially to the exporter.

But since Hyundai Merchant Marine, the South Korean shipping company, inaugurated its slow stopping freight service on the route such shipments have been growing. So much so that, early this year, European shippers submitted a complaint to the EC Commission that Hyundai was engaging in unfair practices, undercutting conventional prices and using unfair commercial advantage in gaining business.

The Commission is due to rule on the complaint shortly, the first time it has investigated a dumping complaint in the services area. The ruling could have important repercussions in the attitude taken by the General Agreement on Tariffs and Trade which is drawing up proposals on services under the Uruguay Round.

Hyundai Merchant Marine is putting up a strong fight against a negative EC ruling, backed by support from exporters who have used its new shipping package. It has claimed that an EC investigation team looking into alleged unfair advantage failed to look at the full facts and that the inquiry was only a formality.

European shippers have alleged that Hyundai has received aid from the South Korean Government which amounts to unfair subsidy, enabling the company to undercut established rates on the Australian route. Hyundai denies that it has received help and says its lower rates reflect a slower service, cheaper wages and some introductory discounts. It has enabled exporters to ship low value high volume goods to Australia, thus increasing the amount of trade, Hyundai says.

The argument over non-commercial advantage as a result of government assistance has wide implications, especially where economies operate on a dirigiste basis involving strong government influence and guidance to the private sector.

Hyundai Merchant Marine says, however, that far from helping tha company, government controls on shipping and shipbuilding in the past have often put the company at a commercial disadvantage.

> European shippers have alleged that Hyundai has received aid from the South Korean Government which amounts to unfair subsidy

In 1983, for instance, when the South Korean shipping industry was suffering severely from overcapacity in the midst of a world downturn, the Government introduced a rationalisation of the ailing companies under which Hyundai was required to take over five medium-sized companies along with their debts. Analysts confirm that Hyundai Merchant Marine's balance sheet, formerly healthy, has not yet recovered from this blow. The South Korean Government does not normally allow companies to go bankrupt.

Hyundai believes that EC investigators and European shippers think that the South Korean company receives an indirect subsidy from its sister shipbuilding subsidiary, Hyundai Heavy Engineering. Executives say, however, that although shipbuilding has been regarded as a strategic industry by the Government, with funds allocated to it through the banking system, these loans carried an interest rate of as much as 13 per cent, far higher than competitors abroad could negotiate on the open market.

Borrowing by South Korean companies is strictly regulated and foreign loans normally have been guaranteed by the Government, partly in an effort to control the level of foreign debt. Recently, foreign bankers were forced to accept a 20 year rescheduling of loans to another ailing shipbuilding company, Korea Shipbuilding and Engineering Corporation, with no requirement to pay interest.

Hyundai admits that it has been helped over the years by the Government's cargo reservation scheme, under which strategic raw materials must be carried by local ships. The Government view is that South Korea, a small country in a hostile environment, requires a strong commercial fleet and security of supplies. Strong US pressure is forcing the breakdown of this closed market system.

Hyundai says that if the EC finds against it in the complaint, it will appeal to the European Court. Setting up a European subsidiary may be another answer to the problem.

The case illustrates a problem that is likely to increase with the rise in trading importance of countries with a different economic style from Western nations. British shippers have pointed out that to penalise Hyundai would help the Soviet-owned Baltic Shipping Company, part of the European cartel, which also might benefit from advantages not wholly commercial.

For the peat moss exporter, along with the tanker buyer, however, price and quality are likely to continue to rule the day, regardless of macro economic factors.

Banker urges Egypt to boost aid to exporters

BY TONY WALKER IN CAIRO

THE EGYPTIAN government needs to do more to help exporters despite progress in improving the country's indifferent export performance, says Dr Hazem Beblawi, chairman of the Export Development Bank of Egypt.

Exporters, he adds, could be helped through tax incentives and by the reduction of bureaucratic hindrance.

Dr Beblawi was commenting on a projected 30 per cent increase in the year to June in the value of Egypt's non-oil exports.

The government, in discussions with senior International Monetary Fund officials, has been citing improvements in the weak export sector as a notable success for its economic reform programme which included a 60 per cent devaluation last year in the local currency.

The EDBE was established in 1985, with World Bank assistance, to help enliven a moribund export sector.

The bank has lent E£ 150m (£38.4m) to export-related industries and those engaged in import substitution.

It has been focusing on food processing and packaging industries, textiles, perfumes and cosmetics, and building materials.

Dr Beblawi said the government needed to come up with a better package of incentives if it was to see significant improvement in exports.

He advocated a tax rebate on profits earned from exports. Another needed reform was to simplify procedures allowing exporters to claim a refund on customs duties applied to imports used in the manufacture of exports.

Egypt's trade deficit in 1986-87 reached $5.2bn (£3bn), compared with $6bn the year before. Egypt's non-oil exports totalled $1.3bn, against $1.1bn the year before.

The government held down imports in 1986-87 but at the expense of raw material for local industry.

Dr Beblawi said one of the constraints on the EDBE's lending programme was the interest premium of 9 per cent the government was insisting on levying on the disbursement of World Bank funds.

Japan to buy US radar despite Iran Airbus error

JAPAN still intends to buy the US-made Aegis radar system despite its use in the mistaken downing of an Iranian passenger aircraft a week ago, Japan's dafence chief, Mr Tsutomu Kawara, said yesterday, AP reports from Tokyo.

The system in USS Vincennes in the Gulf reportedly failed to distinguish between the Airbus A300 wide-bodied jet and an alleged F-14 Tomcat. The ship's captain ordered the aircraft shot down, killing all 290 people on board.

Questions arose about Aegis, a complex system of radars and weapons firing mechanisms.

Mr Kawara said: "I understand that the Aegis system is excellent. I have no worries about its capabilities.

"As for such mechanisms as the IFF (Identification Friend or Foe), it must be fully and accurately researched. But we have no intention of changing our plans to acquire Aegis."

Japan plans to purchase an Aegis system from the US to deploy on one of its warships at a cost of $486m (£285m).

India eases policy on foreign investment

BY K.K. SHARMA IN NEW DELHI

INDIA has announced a further small liberalisation of its highly restrictive and bureaucratic foreign investment policy.

Foreign companies which transfer technology to Indian companies without taking an equity stake will now receive a higher royalty payment paid over a longer period.

Until now, foreign businesses were entitled to royalty payments for a maximum of five years. This has now been extended to seven years.

If the technology transferred is highly sophisticated, payment will be allowed for even longer but cases will be decided individually.

The object is to try to attract the latest technology to enable Indian industry to modernise and become internationally competitive.

Mr Rajiv Gandhi, the Prime Minister, has recently directed that India should make a strong bid for substantially higher direct foreign investment.

On visits to Japan and West Germany, he promised to try to reduce the bureaucratic red tape on which so many potential foreign investment projects have previously foundered.

Officials are now studying the impediments to foreign investment and, as a first step, are involved in identifying procedural bottlenecks.

The aim is to encourage foreign companies to make financial investments in collaboration with their Indian partners, rather than merely selling them technology outright.

The Government would prefer more foreign companies to take an equity stake, so that the foreign partner will have an incentive in a continuing improvement within the Indian company.

This should prevent Indian companies being saddled with obsolete technology.

At present, foreign investment is permitted mainly for technology not available otherwise, or if a substantial commitment to exports is given, or a combination of both.

Foreign investment stood at rupees 1.07bn (£44.5m) in the financial year ending March 31, down from Rs 1.56bn a year earlier.

Pessimism marks start of debate on Hong Kong law

BY DAVID DODWELL IN HONG KONG

HONG KONG'S political leaders today open a critical two-day debate on the draft Basic Law – the mini-constitution that Peking plans to impose on the territory after 1997. At the same time a group of political lobbyists have descended on London to the hope of influencing a similar debate in Westminster on Friday.

Despite the importance of both debates – there will be few opportunities in future to exert pressure on Peking to alter this draft constitution – the chances are that both will be damp squibs.

In Hong Kong a sense of resignation seems to have muted debate on the draft though political leaders in the territory's Legislative Council have been allowed to debate the Basic Law under Peking's sufferance. China has long regarded legislative councillors as British stooges, and has persistently refused to recognise them as channels of public opinion in a public debate that began in May and will continue until September.

Meanwhile, in the House of Commons, the Friday slot for debate on the Basic Law makes it inevitable that few MPs will be present to speak or listen. Here too, Peking has tried to stifle debate, insisting that the Basic Law is an internal affair.

Chinese officials backed down only when it was made clear that parliament had a constitutional right to ensure that the Basic Law was not at odds with the terms of the Sino-British Joint Declaration, which was agreed in 1984 as a basis for the transfer of sovereignty over Hong Kong to 1997.

One of Hong Kong's most effective lobbyists to London – the lawyer Mr Martin Lee – will be conspicuously absent around the Commons this week. He has chosen to remain in Hong Kong to address the Legislative Council. He has said anyway that the arrival to London this week of two groups of lawyers – one representing the Bar Association, and a second the Law Society – made his presence superfluous.

The Law Society will argue in London that the powers given to China's National People's Congress (NPC) under the draft Basic Law would undermine the "high degree of autonomy" promised Hong Kong after 1997 in the Joint Declaration. The delegation claims that the NPC's intended power to interpret local laws undermines the common law system that China promised to preserve after 1997, and puts into question the role of a court of final appeal which is intended to operate in the territory as early as 1993.

Other political lobbyists will be arguing that China's proposal to nominate an electoral college to appoint Hong Kong's first post-1997 legislature is at odds with a commitment to political continuity, and contradicts promises that members of the legislature would all be elected by 1997.

As yet it is unclear to what extent Peking will take into account criticisms of the Basic Law expressed in this week's debates. Some claim Peking is poised for major revision of the draft once the public debate comes to an end in September, and say this will give a fillip to flagging confidence over the territory's future. Others gloomily predict only cosmetic alterations, and predict that Hong Kong people will have no choice but to vote with their feet – by continuing to seek opportunities for emigration.

More than 27,000 Hong Kong people emigrated last year. There have been indications recently that the exodus this year will rise above 40,000.

Sharpeville Six granted stay of execution

By Michael Holman and Anthony Robinson

SOUTH AFRICA'S Sharpeville Six, five black men and one woman due to hang next Tuesday for complicity in the mob murder of a black local councillor, have won an indefinite stay of execution to pursue a possible appeal.

Yesterday's announcement, by Mr Kobie Coetsee, South Africa's Minister of Justice, came hours after Mrs Margaret Thatcher, the British Prime Minister, told parliament that she was prepared to renew an appeal to President P.W. Botha for clemency.

Mrs Thatcher was speaking after a 30 minute meeting earlier to the day with Miss Joyce Mokhesi, whose brother is one of the Six. The group were sentenced to death last December.

Although not directly involved in the killing in 1984, they were charged under the doctrine of "common purpose." There have been worldwide appeals for clemency.

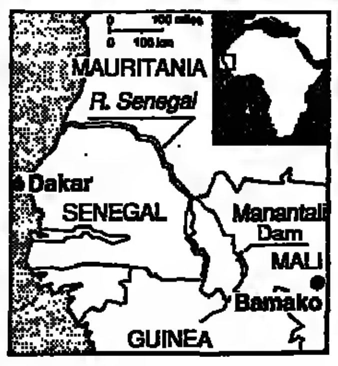
Mrs Thatcher's decision to meet Miss Mokhesi, whom she had previously declined to see, underlined the importance the Prime Minister attaches to the case. Several countries have warned that should the executions go ahead they would extend economic sanctions against South Africa.

Mrs Thatcher told parliament that "representations have already been made to President Botha – for clemency. Should a death sentence be confirmed they will be made not only by me, but by the Toronto summit seven and the (European) Community 12."

Miss Mokhesi told a news conference she was "more hopeful" after meeting Mrs Thatcher, who has argued that it was premature for Britain to renew an appeal

Nim Caswell looks at the effects of Senegal's strict reform programme

A model pupil finds the going tough




Diouf: fighting instability

SENEGAL, a model pupil of the World Bank and the International Monetary Fund in sub-Saharan Africa, is increasingly feeling the political strains associated with nearly nine years of stabilisation and structural adjustment policies.

On the face of it, the programme has a lot going for it. Gross Domestic Product (GDP) has been rising at a comfortable 4 per cent or more in real terms for each of the past three years. Inflation has been brought down to 5-6 per cent and both the balance of payments and budgetary deficits have been brought under some kind of control. Even the weather has been kind, allowing three excellent harvests in a row after a succession of droughts.

President Abdou Diouf was, meanwhile, re-elected to a third presidential term, with 73 per cent of the vote, to one of sub-Saharan Africa's rare multi-party elections at the end of February.

The President's Parti Socialiste has an equally comfortable majority in the National Assembly, with 103 seats to the 17 held by the opposition Parti Démocratique Sénégalais (PDS).

The months following the election have, however, seen riots in the capital, the arrest and trial of Mr Diouf's principal challenger for the presidency, Mr Abdoulaye Wade, the PDS leader, strikes to the electricity and water industries, closure of the university and secondary schools for most of the current academic year and – a new departure for Senegal – at least two car bombs in the capital's suburbs.

Many in Dakar regard the upheavals which followed the elections as the direct result of very severe adjustment measures enforced since economic reforms started in 1979.

These have hit the urban population in several ways. First, by reducing government expenditure and squeezing imports, they have sharply reduced the proportion of GDP accounted for by final consumption, which fell below 95 per cent in 1986 for the first time since 1979. The target is to reduce this to 90 per cent by 1990.

Second, there has been a massive redistribution from urban to rural consumers. Where once the peasantry producing Senegal's premier export crop, groundnuts, subsidised urban consumers of rice, now the resource flow is in the opposite direction, with heavy indirect taxation of imported rice and petrol supporting a producer groundnut price for the 1987/88 season almost double world price levels over most of the past year.

The adjustment programme has also made an already acute unemployment problem even worse. The reforms have reduced the protection afforded highly inefficient industries, adding to the lay-offs and redundancies already under way in the public and parastatal sectors.

The census carried out to June will show whether this combination of pressures has done anything to slow the rate of urban population growth, but in the meantime, it is hardly surprising that the PDS's election rallying cry of "Change!" should have been taken up so energetically by the urban young.

President Diouf has said there is no question of abandoning the adjustment programme, arguing there is no realistic alternative to the painful measures currently being implemented.

In other areas, the Government has beaten a strategic retreat whenever the pressure has become unbearable. On May 1, for example, President Diouf announced reductions in the retail prices of three staple foods: rice, sugar and cooking oil.

On May 19 the President met Mr Abdoulaye Wade, newly amnestied from a one-year suspended prison sentence. Round table discussions, bringing together the Government, PDS and seven smaller opposition parties in national reconciliation talks, are to end tomorrow.

In the longer run, however, despite IMF and World Bank praise for the adjustment effort, it is difficult to see how the Government can provide the improvements in living standards or the new jobs school leavers are demanding.

The retail price reductions of May 1 were accompanied by a cut to the producer price for groundnuts, from CFA Fr90 (29 US cents) to CFA Fr70 per kilo, in the coming season. This was unavoidable from a budgetary point of view. It nevertheless makes something of a nonsense of one of the main tenets of the adjustment programme, namely the need to maximise the incentives to peasant production.

Even this course carries its political dangers. Senegalese peasants are by no means as powerless as their counterparts in some other parts of Africa, given the pivotal role in political life played by the leaders (marabouts) of the country's Moslem sects, with their predominantly rural constituencies.

Members of the 1m strong Mouride sect were under oath to vote for Mr Diouf in the presidential elections; it was inconceivable in such circumstances that the producer price could be cut before the poll.

The peasants have not always reacted as the Government and financial backers would have hoped. Instead of saving the vastly increased revenues after two bumper groundnut crops, or investing in farm improvements, many simply went out and bought imported rice – undermining another of the programme's main tenets, greater food self-sufficiency.

The external environment has also been unkind. With its currency tied to the French franc, and hence appreciating strongly against the dollar, Senegal has been particularly hard hit by the recent weakness of world groundnut prices, until the US drought brought some respite on oil seed prices.

This leaves President Diouf little option but to pray that the 1988 rains, now beginning, leave him the room he needs to save both the structural adjustment programme and the continuity of the Parti Socialiste Government.

Fresh Iraqi success in Gulf war

BY ANDREW GOWERS, MIDDLE EAST EDITOR

IRAQ HAS inflicted more military embarrassments on Iran this week, driving Iranian forces across the border on the central Gulf war front and out of the northern town of Halabja, scene of a major Iraqi chemical attack in April.

A statement from the Iraqi high command yesterday said members of the elite Presidential Guard and the fourth army corps had chased the Iranians from the Zubeidat border area not far from the strategic road between Baghdad and Basra.

The attack, preceded by a major Iraqi artillery barrage, was the fourth Iraqi advance in as many months, following the recapture of the Fao peninsula in April and the eradication of Iranian troops from southern Iraqi territory between then and now. It underlined once again the difficulties Iran is experiencing in the face of Iraq's new found military confidence.

"Iran's problem is that it doesn't know how to fight a defensive war," said a Western diplomat in Tehran at the weekend. "Before the recent setbacks, they were throwing everything into pushing into Iraq. Defensive tactics are much more difficult."

Meanwhile, the Iranians announced that their troops had withdrawn from the north-eastern town of Halabja, about nine miles inside Iraq, confirming that Iraqi forces are also making gains in mountainous Iraqi Kurdistan. The withdrawal may have reflected Iraq's recapture of mountain peaks around the town.

While Iran's recent string of defeats is a severe embarrassment for the Tehran regime, there is no sign that it is about to sue for peace as a result. Most observers in Tehran believe that the Government would be most reluctant to go to the negotiating table in its current weakened position.

The immediate question, therefore, is whether Iraq will feel moved to step up the pressure on its eastern neighbour in coming weeks. Baghdad has consistently said it would not invade Iran again. But diplomatic observers are not ruling out an increase in activity inside Iran by the Iraqi-backed National Liberation Army, a left-wing Iranian opposition group.

● Egypt yesterday denied news agency reports that it had sent troops to Saudi Arabia to reinforce security during this month's Moslem pilgrimage, or Haj. Reuter quoted Arab diplomats as saying that about 1,000 Egyptian troops had arrived in Saudi Arabia to help keep the peace, and that 4,000 more were expected.

Japanese surplus down 10%

By Carla Rapoport in Tokyo

JAPAN'S trade surplus narrowed by more than 10 per cent in June thanks to growing imports.

According to Ministry of Finance figures collected on a customs clearance basis, Japan's trade surplus dropped to $5.9bn in the month, compared with $6.6bn in the same month last year.

Exports increased by 17 per cent but imports jumped by nearly 32 per cent in the same period.

The figures also showed a continued decline in the large trade imbalance between the US and Japan.

From $4bn last June, the trade surplus with the US fell to $3.6bn this June. Exports to the US rose 8 per cent to $7.5bn while imports were up 33 per cent to $3.7bn.

Japan's surplus with the EC in June was $1.6bn, with exports up nearly 30 per cent from May and imports up nearly 40 per cent to $2.1bn.

For the first six months of the year, Japan's overall trade surplus was $39.6bn, compared with $40bn last year.

US nears agreement with Philippines on bases

BY RICHARD GOURLAY IN MANILA

MR GEORGE SHULTZ, the US Secretary of State, said yesterday that an agreement covering the operation of American military bases in the Philippines for the next three years should be reached within the month.

After meetings with President Corazon Aquino and other senior Philippine officials, Mr Shultz said that he was convinced there were strong mutual security interests and looked forward to "a continuing partnership in the region".

However, in reference to a Bill passed by the Senate last month banning nuclear weapons from Philippine territory, Mr Shultz again warned that the US needed the flexibility to operate nuclear-powered and nuclear-armed ships and planes from the bases.

Mr Shultz said that his talks had shown that the Philippine armed forces are confident they can defeat the 19-year-old communist-led insurgency but said that US military aid, which is linked to the bases, was crucial to an effective counter-insurgency policy.

Taiwan opens door to trade with China

TAIWAN'S ruling Nationalist party has approved a potentially explosive increase in trade and investment in China by local businessmen by dismantling four decades of rigid economic controls, Reuter reports from Taipei.

Under a new policy announced at a party congress on Tuesday, Taiwan industrialists will be allowed to import raw materials from China and invest indirectly in the Chinese economy through third countries.

In a further sign of a thaw in Taiwan's relations with its arch-enemy, the Government also said it would open its borders to selected visitors from China.

Taiwan industrialists have been clamouring for access to China's cheap and abundant raw materials. They are also looking for sanction to shift money-losing operations to the mainland.

The Nationalists have banned investment and direct trade with the mainland since 1949 when they fled to Taiwan along with almost two million soldiers and civilians after being toppled by the communists.

The island is desperate for investment outlets for its $70bn of foreign exchange reserves which are now mostly lying idle to international banks.

Tamil guerrillas break off Indian ceasefire talks

BY MERVYN DE SILVA IN COLOMBO

THE Tamil Tigers, the military group fighting for an independent homeland for the minority Tamil population of Sri Lanka, has accused Indian troops of worse atrocities than those committed by the island's army and have broken off ceasefire talks with the Indian government.

In a statement yesterday the Tigers promised the Tamil people a long struggle for the fulfilment of their aspirations for a homeland. They also accused India of trying to impose a "charter of servility."

The Indian government said it remained committed to the peace accord signed with Sri Lanka in July last year. A senior Indian diplomat in Colombo said yesterday they would make every effort to restore normalcy as pledged in the accord.

Indian troops entered Sri Lanka last July after India and Sri Lanka signed an agreement aimed at ending the secessionist ambitions of the Tamil guerrillas.

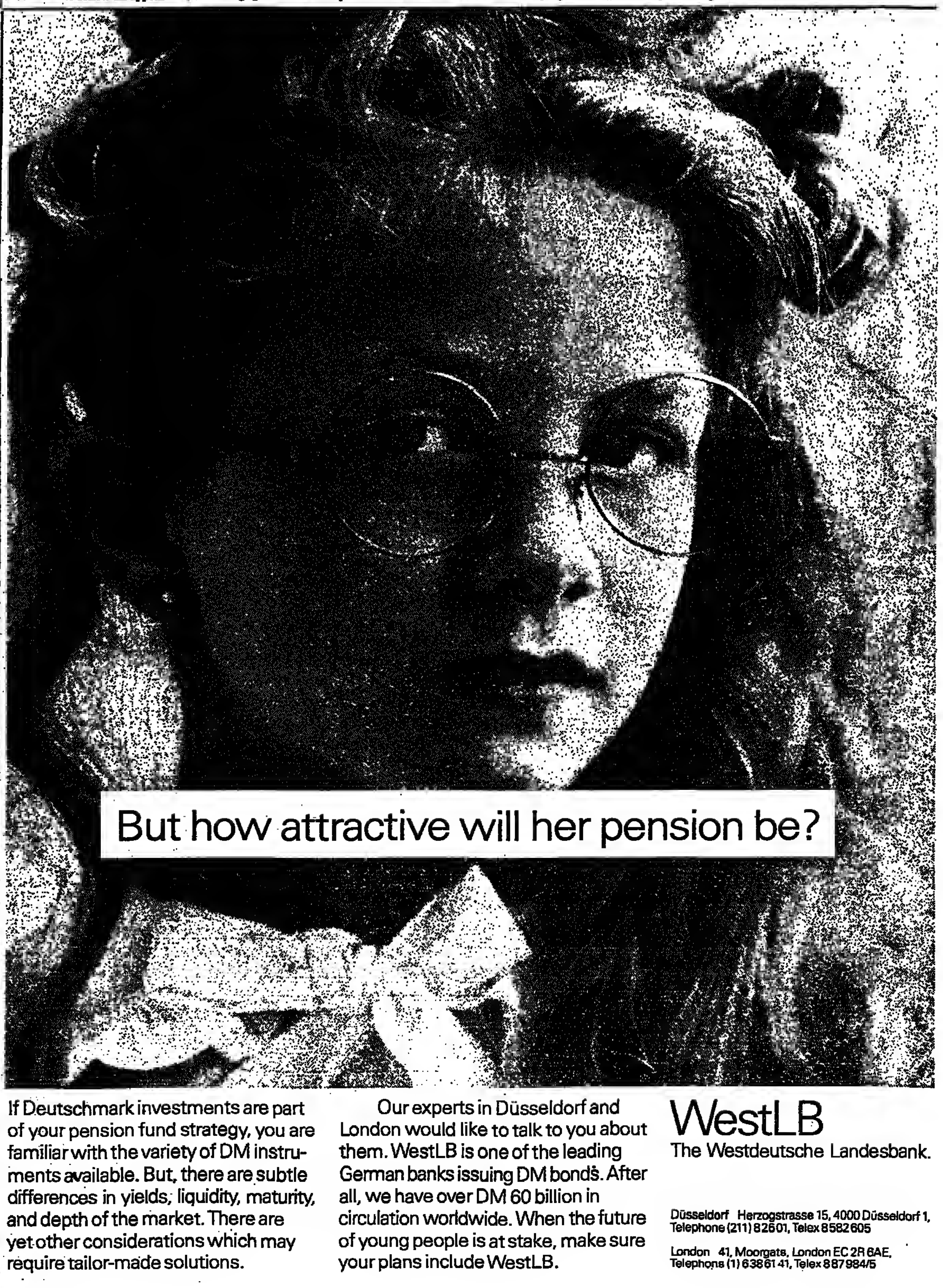
Some fear that the Tigers' decision to break off talks could presage a renewed outbreak of fighting with Indian troops dragging India further into a long bitter struggle with the guerrillas.

In a statement approved by Mr V Prabhakaran, the Tigers' leader now hiding in the jungles of north-eastern Sri Lanka, the Tigers claim their women were raped, civilians killed and property wantonly destroyed.

The hardline statement comes two days after Mr Mani Dixit, the Indian High Commissioner, returned from the eastern province to announce that only two issues stood in the way of a formal surrender.

The Tigers wanted a five-day ceasefire by both sides before they began laying down arms, and five months in which to complete the transaction.

The Indian peace-keeping force had advised New Delhi not to accept the offer.



BAe prepares for Rover deal on reduced terms

BY WILLIAM DAWKINS IN BRUSSELS AND KEVIN DONE IN LONDON

BRITISH AEROSPACE (BAe) is expected to get final clearance from the European Commission today to take over Rover Group, the UK state-owned car maker, on diminished but acceptable terms.

The move follows BAe's agreement to accept up to a £250m cut in the £800m debt write-off promised for Rover, in return for being able to use a significant part of Rover's past losses against BAe group consolidated profits.

Under the original agreement announced at the end of March, Rover Group's trading tax losses could be claimed only against future Rover Group profits.

Department of Trade and Industry officials were still working on final details of the accord with Commission competition experts yesterday evening, but it is understood that the broad lines of the package have been agreed.

Senior Commission advisers were briefed on the deal yesterday afternoon by the staff of Mr Peter Sutherland, the Competition Commissioner handling the controversial case.

Unless any last-minute hitches arise, the package, which has been broadly accepted by BAe and the UK Government, should get the final go-ahead from today's weekly meeting of the 17 Commissioners.

While Mr Sutherland has officially been in charge of the three-months of tense negotiations with Lord Young, the UK Trade and Industry Minister, Mr Jacques Delors, the Commission President has been pressing hard for a quick ruling.

Mr Delors is understood to be unwilling to jeopardise the deal unnecessarily, given that BAe's offer for Rover expires at the end of this month. Moreover, the personal intervention of Mrs Margaret Thatcher, the UK Prime Minister, has given the already controversial scheme high political importance.

The positions of the Brussels authorities and the British Government were far apart until the EC Hanover summit two weeks ago, since when both sides have shown new flexibility.

Under the terms of the original takeover plan BAe was to have paid £150m for Rover, after the car group had received an £800m cash injection in order to wipe out its debts. Rover Group was to have been allowed to offset £500m of trading tax losses against its future profits.

Officials observing the talks yesterday confirmed that a concession allowing BAe to use some or all of those Rover tax losses to reduce its own tax bill – rather than just the car company's tax liabilities – would be one element of what will be a very complex agreement.

The negotiations have been made all the harder by the Commission's eagerness to show that it is pursuing a tough line against state aid in the run-up to the 1992 target for the completion *of a single market.*

This has come up against the British Government's equal keenness to remove the final elements of state ownership from the UK motor industry.

Only last year Brussels ordered the UK to cut £70m from a planned £750m aid package for Rover Group as part of the sale of the Leyland truck and Freight Rover van operations to DAF of the Netherlands.

Brussels gave the go-ahead for a French Government FFr20bn (£1.9bn) rescue scheme for Renault last March, but that was on condition that the state no longer guaranteed its debts.

Commission officials also point out that the Renault package was simply designed to avoid bankruptcy, rather than leaving it with surplus cash for new investment, as would have been the case with the original Rover plan.

BAe's willingness to press ahead with the takeover of Rover Group despite the Commission's insistence on less favourable terms has also been helped by the better-than-expected improvement in Rover Group's financial performance in the first six months of the year.

Rover has been boosted by the overall boom in UK car sales which are at a record level – it was still dependent on the domestic market last year for more than 68 per cent of its car sales, a higher share than any other European volume car maker – and in the first half of the year it increased its UK car sales volume by 5.6 per cent to 166,668 units.

Exports have been rising faster than domestic sales – despite the setback of reduced sales of the top-of-the-range Sterling in the US – and overall Austin Rover car and car derived van production was around 14 per cent higher at some 260,000 units in the first half of the year compared with the same period a year ago.

BSB may give out subsidised receivers

By Raymond Snoddy

BRITISH Satellite Broadcasting is considering giving subsidised satellite television receiving equipment to millions of viewers to increase its early impact.

The plan is seen as an attempt to counter the threat from Mr Rupert Murdoch, chief executive of News Corporation, to the £625m BSB project to launch three UK television channels.

Mr Murdoch last month announced an intention to broadcast four advertising-financed channels on the Luxembourg television satellite Astra scheduled for launch in November. The channels could be picked up on receiving equipment costing £199.

Astra's effectiveness as a competitor to BSB became more doubtful yesterday after a meeting of a satellite programme consortium led by Mr Robert Maxwell and W.H. Smith Television.

The consortium, which accounts for six satellite television channels available on low power satellites to cable networks, had been expected to move to final negotiations with Astra. This would have created a powerful block of 10 English language channels on the same satellite.

Members of the Maxwell/W.H.Smith consortium were attracted by a counter offer from Eutelsat, the European satellite organisation owned by 26 post and telecommunications authorities including British Telecom.

The consortium decided to hold further talks with Eutelsat which plans to launch two 16-channel television satellites in 1990.

If the Maxwell/W.H.Smith consortium were to chose Eutelsat it could increase pressure on Mr Murdoch who, it is believed, has an escape clause from his £100m Astra contract if not enough of the other English language channels follow him on to Astra.

BSB, scheduled for launch next summer, has been investigating options to increase the early penetration of its three channels.

One of the main suggestions is that receiving equipment, expected to cost between £200 and £250, be sold at a subsidised rate to those paying perhaps a year's subscription - expected to be about £10 a month in advance.

Other options being examined include free receiving equipment for opinion formers.

Boards warn on electric prices

BY MAURICE SAMUELSON AND MAX WILKINSON

BRITAIN'S area electricity boards have warned the Government that they will have hardly any scope for lowering prices through increased efficiency after they are privatised.

This will provoke an argument with ministers who are determined that distribution costs must be reduced by at least 1 or 2 per cent a year and the benefits passed to consumers.

The 12 area boards are to become separate distribution companies after privatisation, buying power from the two successors to the Central Electricity Generating Board or from independent sources.

The conflict comes as the Government confronts a renewed attack on its privatisation plans from the opposition Labour Party and trade unions.

The pricing argument with the area boards centres on the "X-factor" in the formula limiting the annual rise in electricity prices. As with gas and telephone charges, electricity prices will be allowed to rise each year by the inflation rate minus X. The area boards are saying that the X factor should be only about 0.3 per cent.

They argue that manpower is a small part of their costs and that even with new meter-reading and maintenance techniques the scope for reducing the labour force is limited.

The more efficient boards are also claiming that they have relatively less scope for improvement and should therefore be under less pressure to reduce prices.

British Rail to unveil proposals for improving links to Chunnel

BY HAZEL DUFFY

BRITISH Rail will unveil tomorrow an outline study of ways of improving rail links to the Channel Tunnel.

The four proposed options are expected to include building a new fast line between London and the Tunnel, big improvements to the existing link, and a possible new terminal at Kings Cross in north London to *improve access to the* Tunnel from parts of the country other than the South East. The proposals would cost from £800m to £1.2bn.

Any chosed option would entail varying degrees of upheaval to the environment. Tomorrow's unveiling is therefore likely to be the signal for the warning shots to be fired in what could be a protacted battle between environmentalists and those pressing for early action to get the links in place.

BR will emphasise that the options are only in outline and will require extensive *further* study before a decision is taken on whether or not to proceed.

The state rail group is expected to argue that no decision need be taken until there is more evidence that traffic forecasts will exceed those which will be covered by *its current* plans. BR plans at first to invest £589m to cater for the estimated traffic in the years following the Tunnel's opening in 1993.

The Government is likely to back BR's approach, despite intense lobbying by Eurotunnel, the consortium contracted to build the tunnel, for an early decision on improved links which would increase the capacity for rail traffic beyond those in BR's current plans.

Eurotunnel believes that BR's current forecasts of freight and passenger traffic are too conservative. It would like to see preparations being made for legislation so that the new links would be in place by the mid 1990s.

Mr Paul Channon, Transport Secretary, is expected to insist that the rail links will have to be financed privately or from BR's internal resources, in accordance with the criteria for building the Tunnel itself. The Government and BR would, therefore, have to be satisfied that the new options would be commercially viable.

The County Council in Kent, the county through which any improved links would run, said yesterday that it was anxious that the right balance be struck for the county between the benefits and drawbacks of the Tunnel.

EUROTUNNEL chairman Mr Alastair Morton forecast a "new age of the train" yesterday but warned British Rail that it must instal an efficient cross-London link if the Channel Tunnel was to service the northern effectively, writes Richard Donkin.

Mr Morton told delegates at the Peat, Marwick, McLintock liberalisation of transport conference in London that 30 years of road and air dominance was ending. "It's ending because air space is full and the roads are full," he said.

Trains, he said, had the capacity and technology to be the travel of the future. Investment in high speed lines across Europe would lead to a network 20 years from now capable of taking passengers from Hamburg to Rome overnight: "A second or new age of the train is upon us."

Mr Morton said that Eurotunnel would attempt to put ferry services out of business. His company forecasts that ferries would retain half the freight business and more than half of passenger traffic.

DTI 'case to answer' over Barlow Clowes

By Clive Wolman

THE ROLE of the Department of Trade and Industry in granting a licence to the Barlow Clowes gilt-edged management firm, which has now collapsed, has been criticised as "an apparent case of maladministration" by the Ombudsman, Sir Anthony Barrowclough, in a letter published yesterday.

In a letter to Mr Alf Morris, the former Labour minister, Sir Anthony said that one could reasonably infer from statements about Barlow Clowes made by DTI ministers that "there is an apparent case of maladministration for the DTI to answer."

He said: "There also seems little doubt that personal injustice has been suffered by a large number of members of the public who had invested money in the companies concerned."

However, he explained that he did not think it sensible to embark on his own investigation while the DTI conducted a separate inquiry of its handling of the case headed by Sir Godfray Le Quesne. But Sir Anthony has left it open whether to launch an investigation later.

Nick Garnett examines a report by brokers to British Steel's flotation

Still plenty of room to improve

THE PRIVATISATION of the British Steel Corporation took a further step forward yesterday with the publication of a glossy 48-page research document by Warburg Securities, the Government's brokers for the flotation.

The document took two months to produce, is packed with 59 tables and bar charts and, Warburg stresses, was drawn up independently of BSC - though the corporation went through it with a fine-tooth comb before publication.

The document is a statistical argument in favour of BSC's strength and improvements it could still make to competitiveness. However, with the exception of a section on exchange rates, the document does not address itself directly to some of the more uncertain aspects of the corporation and its business.

Warburg says, for example, that although a simple calculation would show that every 5 per cent appreciation of sterling against the D-Mark would cut BSC's trading profits by £120m, the real impact of such a currency move would be much more muted.

The document says that BSC is now strongly placed to raise its market shares, ride out a substantial cyclical fall in demand and continue to make profits.

At first glance though, the document appears to embrace a contradiction. On one hand Warburg marshalls the facts to argue what a good and efficient steel producer BSC has become, comparing its productivity and profit improvements favourably with those of its main European competitors. But it then goes on to say the corporation is not Europe's most efficient.

There are plenty of statistics to support the first assertion: the £410m bottom line profit last year - by far the biggest in Europe where only five or so producers are in the black - the consistent capacity utilisation of over 90 per cent and the jump in exports from 2.6m tonnes of steel in 1984-85 to 4.4m tonnes last year.

Since 1981 the compound growth in tonnes of liquid steel a man/year in the UK steel industry (of which BSC is the largest element) has been more than double that of Italy or France and three times that of West Germany, Italy and Belgium.

However, the document says the corporation could do much better. It also says BSC is not Europe's most efficient steel maker and is indeed behind some European competitions in some areas.

Warburg explains the apparent contradiction in a detailed analysis of where most of BSC's productivity improvements have come from.

The document says the strength of BSC's competitive position depends overwhelmingly on the way it has dramatically improved output per man and on its lower overall labour costs, which result partly from having lower wage rates than some competitors. The UK has the lowest wage rates of the main European steel nations.

Hourly labour costs per man, measured in Ecus have risen in the UK steel industry from 7.4 in 1980 to 13.0 in 1986 and, using average exchange rates relative to the Ecu during the following two years, to 10.9 in 1987. In that period, costs in West Germany went from 11.9 to 19.0, in France from 10.4 to 16.2 and in Belgium from 13.7 to 18.8.

The same side of the coin is the well-chronicled fall in man hours to produce a tonne of steel at BSC from 9.4 in 1982 to 5 now.

In some other areas, though, like the corporation's use of efficient continuous casting, energy efficiency, and yield (output of finished steel as a proportion of liquid steel) it lags Europe's best.

Warburg argues that further big cost savings are possible. Using the concast rather than ingot method saves at least £10 a tonne, by cutting out the ingot casting stage of production, and BSC is only at around 80 per cent concast. BSC says it is could make a theoretical 20 per cent saving in its energy use, which puts it further from optimum figures than French or West German producers. A reduction of one gigajoule per tonne would represent some £20m per year at BSC.

These factors are tied with the general upgrading of production kit in a modern steel company, something which Warburg says BSC is well placed to exploit. Improving yield in the past five years has on its own added £75m to BSC profits.

This is also linked with the gradual move by BSC towards more value added steel products. More concast can result in higher quality so-called semis, supporting demand growth for coated steel. Hot-rolled coil has 46 per cent more value per tonne than semis and some coated steels more than double the value.

Warburg says nothing directly about whether prices of some products in Europe, like stainless steel, are artificially pumped up and could fall. It gives no details about the strategy of competitors or the speed at which some are also improving their production.

It does not discuss the high costs of closing big integrated sites, something BSC will almost certainly have to do during the 1990's. Nor does it comment on BSC's static research and development budget which has run at about £30m a year since 1981. It does say, though, that the corporation's research has been of high quality.

BSC has spent much time in the last few years explaining how good it has become. Now it has begun laying equal emphasis on the improvements it can make.

This makes sense in trying to attract investors. One effect though is to underline the huge investments around £250m a year - a modern steel business the size of BSC needs to keep it near the front of the pack.

Regulators pursue the futures pitch

By Richard Waters

"IT'S LIKE going to a casino and gambling with someone else's money. If you lose, that's tough. If you win, you get a percentage. Either way you get paid a commission every time you make a bet."

This jaundiced view of a futures broker, offered up by a dissatisfied investor, sums up many of the complaints about futures firms received by regulators.

Add to this assorted high-pressure selling methods and obscure commission agreements that result in far higher costs than expected, and there would appear to be plenty of scope for regulators to respond.

One such response came on Monday when the Securities and Investments Board froze the business of DPR Futures to allow it time to investigate further. DPR, which has refused to comment on the matter, has 28 days to appeal against the SIB ruling, which claims that clients "have been and continue to be at serious financial risk".

DPR is not the first. In the middle of last month the SIB obtained the appointment of a provisional liquidator to another firm, Stox, which had been formed by former employees of DPR. In both cases the SIB, which has now acted against four investment firms since Mr David Walker took over in May as its head, acted after receiving information from the Association of Futures Brokers and Dealers, which is responsible for authorising firms in the industry.

A third firm, Empire Futures, which has about 2,500 clients, merged with a subsidiary of Sturge Holdings when its application was turned down by AFBD recently, although it has not been the subject of action by the SIB.

AFBD chief executive Mr Alastair Annand claims that these cases are casting an unfair light on an industry which has been relatively free of scandal.

The AFBD has 230 members and expects to admit a further 160. Complaints have been made about fewer than 20 of these firms, says Mr Annand.

Typical of the disgruntled investors is Mr Bernard Pendry, a former client of LHW Futures. Mr Pendry lost £7,500 in just four months at the end of 1986 on coffee and gold futures.

He had wanted simply to dabble with a small amount rather than invest heavily in futures, but fell prey to LHW's sales methods, he claimed yesterday.

Mr Pendry estimates that LHW made about £6,000 in commissions from his account - a staggering 80 per cent of his investment. This is because the firm charged a percentage of the full value of contracts it bought for Mr Pendry, rather than a percentage of the investment, or "margin", he put up.

The AFBD upheld complaints such as these when it refused membership to LHW at the end of 1986, while the London International Financial Futures Exchange had already refused it membership.

Mr Brian Edgeley, LHW chairman, said yesterday that the AFBD's criticisms had been taken to heart before his firm had submitted another application for membership early this year.

For instance, it had dropped its old commission structure and now charged a flat £100 for each deal.

LHW has also shed many of its smaller, unprofitable clients, many of whom did not understand futures or could not afford to risk their capital in this risky area, says Mr Edgeley.

Mr Pendry has been advised by his lawyer: "I regret to have to say that in cases such as (yours) the expense and risk of litigating the matter can quite fairly be compared to the futures market itself." He has learnt the hard way just how great those risks can be.

Until very recently, only those in the upper echelons of the social register ever inherited anything of any real worth. As the heirs of "well-to-do" families they knew what was coming to them, just as they knew what was expected of them.

This wealthy and worldly minority (perhaps 10% of the population) is now about to be superseded by a new, larger and more volatile band of inheritors: today's middle-aged, middle classes.

It is they who are set to become the "nouveau riche" of the 90's and beyond. And they will, in a very real sense, owe it all to their parents.

For it was the post-war generation who first enjoyed widespread home ownership. Now retiring in their millions, they will soon be conferring their wealth upon their already affluent 40 and 50 year old children.

A portentous event when one considers that even a modest estate can now be expected to top the £100,000 mark.

In fact, estimates predict that by 1997, parents passing away will pass on a staggering £24 billion a year. (240% up on current levels.)

Undeniably, the impact of this quiet, yet colossal transfer of wealth will be immense. It will affect

OVER THE NEXT 10 YEARS, MILLIONS OF PEOPLE WILL BE CONFRONTED WITH A UNIQUE PROBLEM.

companies big and small, old and new, progressive and old-fashioned alike. It will doubtless affect you and your company. After all, millions of dutiful sons and daughters will be presented with dauntingly large legacies.

But will they spend, spend, spend? Or will they use their vast discretionary wealth with discretion?

Will they, as some pundits predict, fritter their money away on the likes of fritto misto di pesce and moules à la crême; German fitted kitchens; Milanese designer furniture; winter holidays in St Lucia and summer jaunts to gîtes in the Camargue?

Or will they, as rival experts would have us believe, plough their considerable capital into the City's money markets?

As it is, 1 in 5 adults now hold stocks and shares of one sort or another. 1 in 3 have taken out their own private pension plan. 1 in 10 have decided to invest in private health care. These figures could advance dramatically given sufficient nouveaux inheritors with sufficient financial perspicacity. No area of finance would remain untouched.

Private education, for example, could become a realistic and popular option for legions of middle class families overnight.

Whilst an ever-decreasing retirement age and a less munificent welfare state could bring pension and private health care planning to the front of millions of minds.

The vagaries of luck and fate need not decide your company's eventual response to all this, though. You can start doing something about the matter today, just by thinking ahead.

For forward planning is the only answer. An answer that we at Ernst & Whinney have put into practice for companies of all sizes and complexions. In all probability, your company could benefit from contacting us. After all, without wishing to blow our own trumpet, we do have a wealth of experience.

Ernst & Whinney
Accountants, Advisers, Consultants.

Winds disrupt effort to cap Piper oil wells

BY STEVEN BUTLER

EFFORTS TO cap three burning oil wells on the North Sea Piper Alpha oil platform yesterday moved forward haltingly. High wind continued to disrupt efforts to board the twisted wreckage of the platform which was hit by a gas explosion last week.

The fire-fighting vessel the Tharos, which is carrying Mr Red Adair and his team of oil fire specialists, pulled back from its position alongside the platform to make way for two semi-submersible drilling rigs which were putting down anchor.

The rigs are making preparations for drilling relief wells, should it prove necessary, to relieve pressure on the wells that are still burning.

Occidental Petroleum, operator of the Piper field, meanwhile made public its records of incidents of release or escape of gas in the past two months. It said gas had escaped on June 1 due to a leak in a flexible hose, which was subsequently replaced.

It also said that a controlled release of gas into the atmosphere had taken place on July 4 as part of a maintenance procedure in the gas conservation module. It said the foul odour from this release would have been detected by many workers on board the platform.

A number of reports have circulated in recent days about gas leaks occuring in the days before the explosion, which killed 166 persons. Occidental has said that any accidental leaks would have been reported to it and none were.

Occidental said it would have to cap the leaking wells and ensure the soundness of the steel jacket holding up the remains of the platform before sending in divers to attempt recovery of 146 missing bodies.

Mr John Prescott, Labour's energy spokesman, yesterday called for the oil industry to spend more money training offshore workers.

He also questioned safety conditions at BP's West Sole platform where 116 contract workers resigned last week citing safety problems. Mr Prescott said, and BP confirmed, that a helipad on the platform was closed, while a helipad remained open on an accommodation barge alongside.

TV groups raise offer to head off soccer split

By Raymond Snoddy

BRITISH Satellite Broadcasting and the BBC yesterday increased their offer for the rights to televise soccer in an attempt to head off the possible disintegration of the Football League in its centenary year.

The broadcasting organisations increased their minimum offer for a four-year agreement from to £45m from £39m. The Football League said the total package would probably amount to more.

The offer comes before today's meeting between the ITV companies and representatives of Britain's top clubs at which the independent companies hope to conclude a £32m four-year deal for exclusive rights to televise the likes of Liverpool, Everton, Arsenal and Tottenham.

More significant than the total in the revised BBC/BSB deal was the fact that the 20 first division clubs were offered between 70 per cent and 90 per cent of the money.

Under Football League rules, clubs have no right to sign unilateral deals with television companies. If the top 10 clubs sign a deal with ITV it will in effect mean the break-up of the 92-club Football League and lead to the creation of a new 'super League'.

BSB plans, Page 8

Pan-European solution needed for air transport, BA chief says

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

EUROPE MUST spend "large sums of money" to solve its current problems of too few airports and too little airspace, which are leading to the current widespread congestion and delays in air travel.

Sir Colin Marshall, chief executive of British Airways, told a conference on air transport liberalisation in London that the present problems would need a combined effort of the European Community and everyone using European airspace to solve.

His speech coincided with a statement from BA that it carried more than 2m passengers on scheduled services in June for the first time in any single month. Passenger traffic on BA and British Caledonian services combined was up 20 per cent over the same month last year.

Sir Colin said the European problems included insufficient airports, with existing ones not big enough and often not well equipped; too much military use of airspace; the use of air traffic handling procedures established decades ago to cope with different aircraft and load patterns; outdated equipment; too many aircraft seeking key slots in the system; and the curtailment of existing facilities by "proper concerns about noise and less convincing claims about environmental disturbance."

"It seems to me that everyone concerned is being forced to recognise that there is no way a single company, a single country or even a single area can find proper answers," he declared.

"These are major problems the solution to which is going to require the expenditure of large sums of money on a pan-European basis. This is going to take a combined effort of the EEC and everyone operating in European airspace if useful responses are to be found".

One obvious answer, he claimed, was to change the hours of airport operation and increase the availability for travel where the time of departure was not critical.

Air traffic was bound to increase, Sir Colin said. As a result, communities would simply have to decide whether they wished to have the advantages and benefits of better air services along with potentially less noise.

"What all of us have to face is that bearing the physical obstacles will require major investment on a scale which can be borne only by Europe acting in concert – and that should be a test of our ability to co-ordinate effort and ideas for sure."

Mr Stanley Clinton Davis, European Commission transport commissioner, told the conference that all member states of the Community should participate in Eurocontrol, the body set up some years ago to control air traffic in the upper airspace over Europe.

"The Commission long ago warned governments about the build-up of congestion in the skies. Many governments remained myopic. The boom in traffic, despite all the warnings, seems to have caught them by surprise."

It was also revealed yesterday that additional funds for Eurocontrol are being sought by its governing body, to enable it to implement a plan for long-term improvements to beat air traffic congestion.

A five-year work programme, approved at last week's meeting of the agency's permanent commission, urged that member-states should immediately pool relevant information about systems, procedures and plans so that long-term measures to improve traffic flows could be considered.

In the meantime, it was agreed that the agency should investigate ways of relieving congestion in the short-term.

This would include identifying current incompatibilities between existing systems, and recommending ways of removing them; press forward with the development of a medium-term strategy to improve air traffic management efficiency; and draft specifications for the next generation of air traffic control systems.

Fresh ways needed to sustain farm economy says Howe

BY TOM LYNCH

ALMOST ALL advanced countries had to discover ways of promoting rural communities that did not depend on the artificially protected production of food surpluses, Sir Geoffrey Howe, Foreign Secretary, has told the House of Commons.

"For too long we have been devoting resources to supporting and protecting agriculture to enable it to produce food that can't be consumed at prices that can't be sustained." It was time to find new ways of sustaining the countryside.

Sir Geoffrey was speaking during a debate on the European Communities (Finance) Bill, which implements the agreement at the European Council meeting in Brussels in February on the future financing of the Community and the reform of the Common Agricultural Policy.

The bill was read a *second time* by 323 votes to 195, a Government majority of 128. Mr John Biffen, a former Conservative minister, led a token revolt by 12 anti-Common Market Tories who voted against the agreement.

The Brussels settlement changes the basis of the European Community's own resources from a percentage of national value added tax receipts to a percentage of gross national product, and imposes a new regime of farm spending curbs.

Sir Geoffrey said internal reform of the EC had been achieved because of British tenacity.

Britain had successfully insisted that any further increase in the EC's own resources must be matched by tough spending controls, that agricultural surpluses must be reduced, that Britain's abatements continue and that there be no oils and fats tax.

The package on agricultural support prices for 1988 was within the guideline, as were the commission's proposals for 1989. "The signal to farmers and to the markets is clear – the scandal of soaring CAP costs, at the expense of taxpayers, consumers and developing countries, is at last being brought under control."

There had already been an "impressive" reduction in dairy intervention stocks. The "butter mountain" had shrunk by nearly half in the year to April and skimmed milk powder stocks were down by 87 per cent.

For Labour, Mr George Robertson said: "Creative accountancy is once more going to save the EC from bankruptcy." The bill provided "little evidence of judgment, efficiency or political or financial prudence. When the bluster and the funny money are set aside, the news in this bill is bad for Britain and British taxpayers."

He said the bill would increase Britain's net contribution to the community by £200m to £300m this year from the £1.35bn paid last year. He approved the change to GNP as a basis for calculating the EC's own resources, but said it was being used as a cover for the rise in spending.

On top of that, he said, the bill approved the inter-governmental agreement – designed to ensure that the EC had sufficient funds for the current year – at a cost to the UK of £765m.

Mr Robertson hoped the new agricultural stabilisers would work, but said farmers were still uniquely protected from market pressures.

More time for monopolies inquiry into brewing

BY LISA WOOD

THE GOVERNMENT has given the Monopolies and Mergers Commission an extra six months in which to complete its investigation into Britain's brewing industry.

UK brewers operate a tied system under which company tenants are obliged to stock their landlord's beer. The inquiry was to have been completed by August.

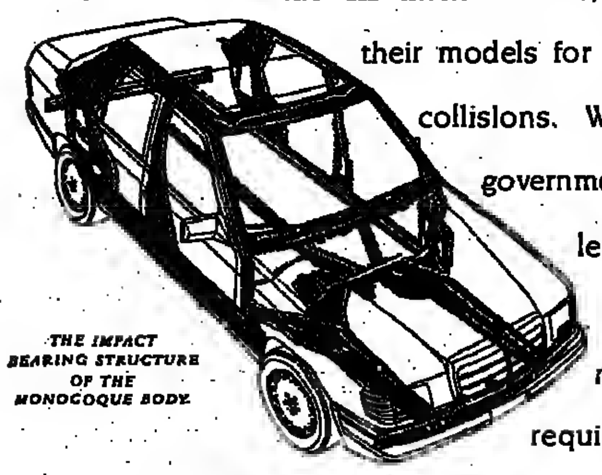
However, the Department of Trade and Industry said yesterday that the commission now had until February 3 1989 to prepare its report. The extension had been granted by Lord Young, the Trade and Industry Secretary after representations by the commission.

The Brewers Society said: "This does not come as a surprise to us. The industry is an enormous one to investigate."

Earlier this year the commission sent letters to interested parties outlining its preliminary findings and asking for more information. Written information has now been submitted including three volumes from the Brewers Society. It is understood that the commission is now starting to assess the information as well as holding hearings where it is taking further evidence.

The commission's task is a difficult one. While it is alleged by some critics of the industry that the tie restricts consumer choice, a likely consequence of abolishing it would be the engulfing of smaller regional brewers' brands by nationally advertised ones.

Mercedes-Benz design their cars for the accident that happens most

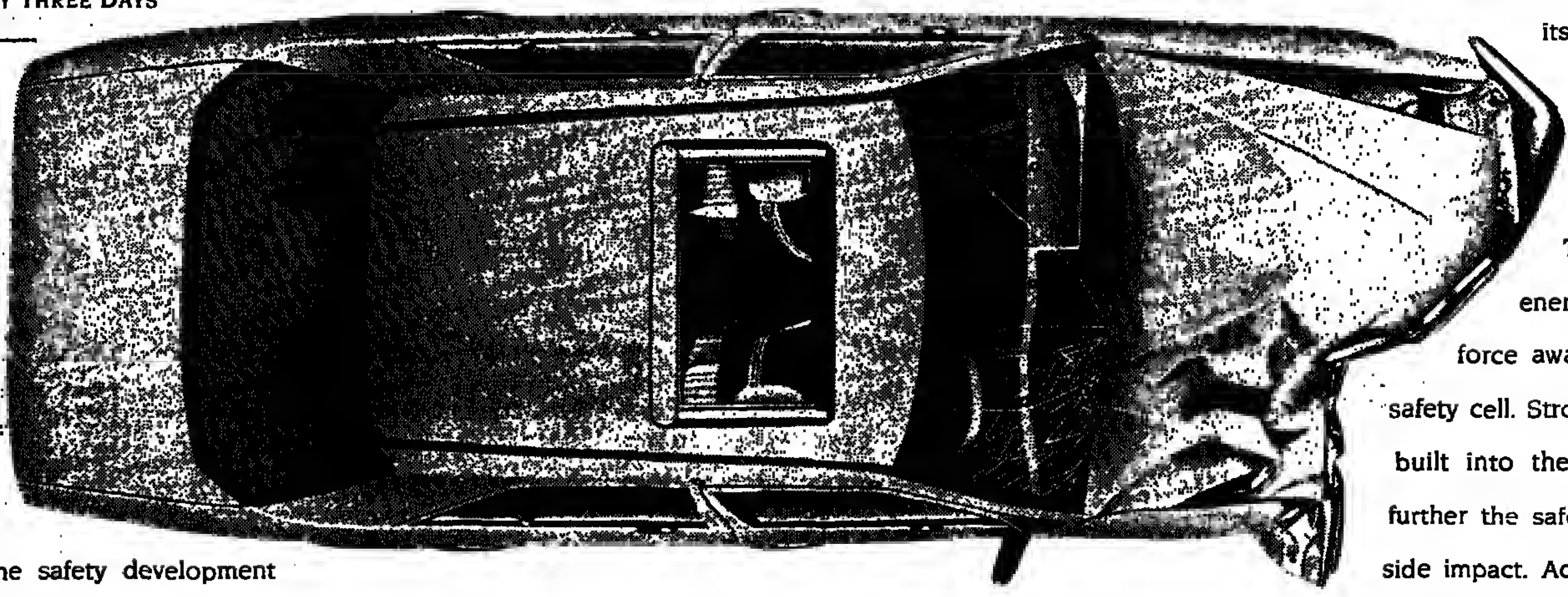


THE IMPACT BEARING STRUCTURE OF THE MONOCOQUE BODY.

It is a surprising fact that only Mercedes-Benz, of all the world's car manufacturers, routinely test their models for off-set frontal collisions. Why? Because government crash test legislation demands that car makers meet requirements only for 100% head-on collisions – so that is the routine they all follow. Except Mercedes-Benz.

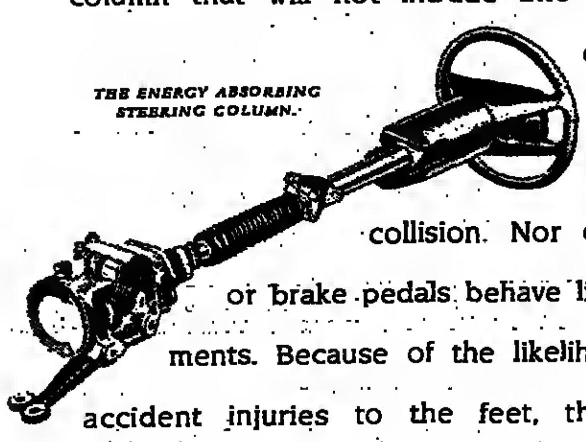
Their research shows that in Germany, for example, 40% off-set frontal collisions happen three times more frequently, so Mercedes-Benz design briefs demand that all chassis and crumple zones be tailored specifically to disperse the unique stresses of both types of collision. Which means impact energy is absorbed progressively and displaced into forked longitudinal members mounted onto extremely rigid sidewall, floor pan and transmission tunnel structures. The energy is therefore diluted by being transmitted and absorbed in three different directions.

A Crash Test Every Three Days



Mercedes-Benz conduct a crash test every three days, on average. Because safety research is an integral part of the Mercedes-Benz design process, many tests are conducted on components and prototypes prior to full scale production of a new model. Consequently, the safety development team are well placed to impose their priorities on the fundamental design of a car. Today's Mercedes-Benz models are the most thoroughly tested and safest the company have ever built.

The Mercedes-Benz safety steering system, as an example, is fitted with a distorting cup within the steering wheel, and a collapsible, corrugated column that will not intrude into the passenger compartment in either a head-on or off-set collision. Nor can the clutch or brake pedals behave like blunt instruments. Because of the likelihood of severe accident injuries to the feet, the pedals are designed to swing away from the driver on impact.



THE ENERGY ABSORBING STEERING COLUMN.

The Fathers Of Automotive Safety

The history of Mercedes-Benz safety consciousness dates from 1931 when they developed independent front suspension to ensure safer roadholding. And as long as thirty-seven years ago, long before "crumple zone" and "safety cell" became part of car industry jargon, Mercedes-Benz patented the first impact-absorbing body shell. But rather than protect the patent in their own interests, Mercedes-Benz allowed it to be infringed in everybody's interests, so other car makers could incorporate the idea into their own body designs. A gesture that speaks for itself.

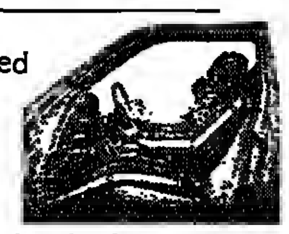
In 1959, Mercedes-Benz became the first manufacturer to systematically crash test and roll-over test their cars. In that year, 80 were destroyed in the search for greater passenger security. Since then, no car maker has placed greater emphasis on crash testing, and many others reap the benefits simply by adopting the results of Mercedes-Benz pioneering research.

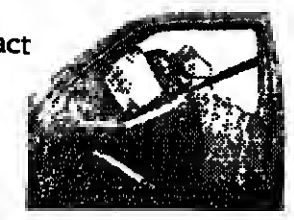
SCIENTIFIC CRASH TESTING: CIRCA 1959.

State Of The Art Safety Cell

Computer-aided engineering, combined with extensive use of high strength, low-alloy steel, ensures that Mercedes-Benz monocoque body shells are not only light, but are also outstandingly strong. Such a highly rigid shell is the basic safety element, its front and rear sections designed to yield progressively in major accidents. They absorb kinetic energy and divert the full force away from the passenger safety cell. Strong cross-members are built into the floor pan to stiffen further the safety cell's resistance to side impact. Additional single section roof frame cross-members enhance the total load bearing capacity of the roof in front, side and roll-over impacts.

How The Use Of Air Can Reduce Injury Risk

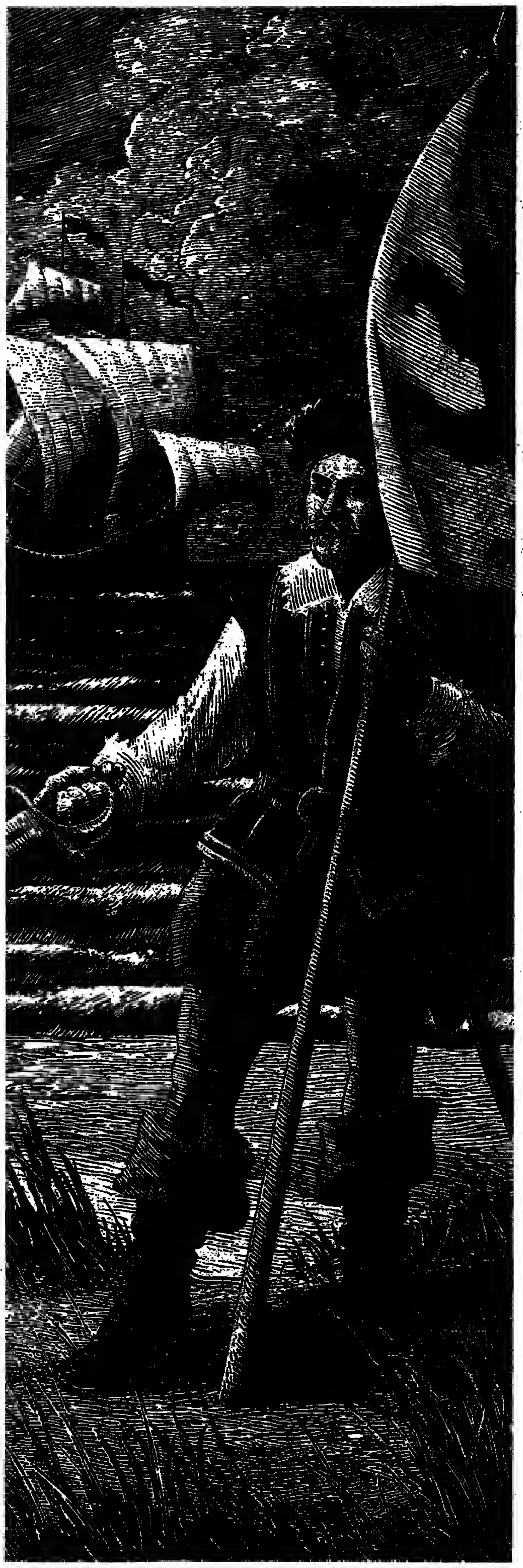




FROM IMPACT TO INFLATION IN 80 MILLISECONDS.

All inertia-reel safety belts fitted to the front seats of Mercedes-Benz cars, have electronic belt tensioners as standard. Above a predetermined level of impact, the tensioner is activated and pulls the belt taut around the body in milliseconds, reducing forward movement of driver and front seat passenger. Above certain speeds, however, impact injuries can still occur no matter how sophisticated the seat belts are. Therefore, Mercedes-Benz also offer an electronically controlled airbag that is neatly stowed in the steering wheel hub. This innovatory safety feature has been available since 1981 and is already fitted to 400,000 Mercedes-Benz cars. A normally invisible guardian, it inflates in milliseconds, under impact, to cushion the driver's head and greatly reduce the risk of chest injuries. Further proof that the Mercedes-Benz commitment to safety is uncompromising, unchallenged and continues unabated.

Engineered Like No Other Car In The World.



TECHNOLOGY

The river bus which could find its way abroad

Kevin Brown on the bureaucratic backwash encountered by a craft which is neither normal boat or hovercraft but uses both technologies

THE RIVER Thames, which has been the trading lifeline of London for centuries, appears to be undergoing a renaissance as a highway.

Traffic on the upper reaches of the river has declined dramatically over the last 20 years since the bulk of the capital's port activities moved downstream to Tilbury and elsewhere.

But the launch of two separate riverbus services in the last few weeks marks the beginning of an attempt to return to the Thames the local transport function it performed almost uninterrupted from the Middle Ages to the mid-19th century.

The Thames lost its place as one of the main modes of local transport because of the difficulty of navigating a river crammed with ocean going ships, and because of the rapid improvement in road and rail communications after around 1840.

The first of these difficulties was removed by the transfer of most of the container and bulk shipping facilities to deeper waters downstream. Now only a few cruise liners find their way to the old port area in the Pool of London.

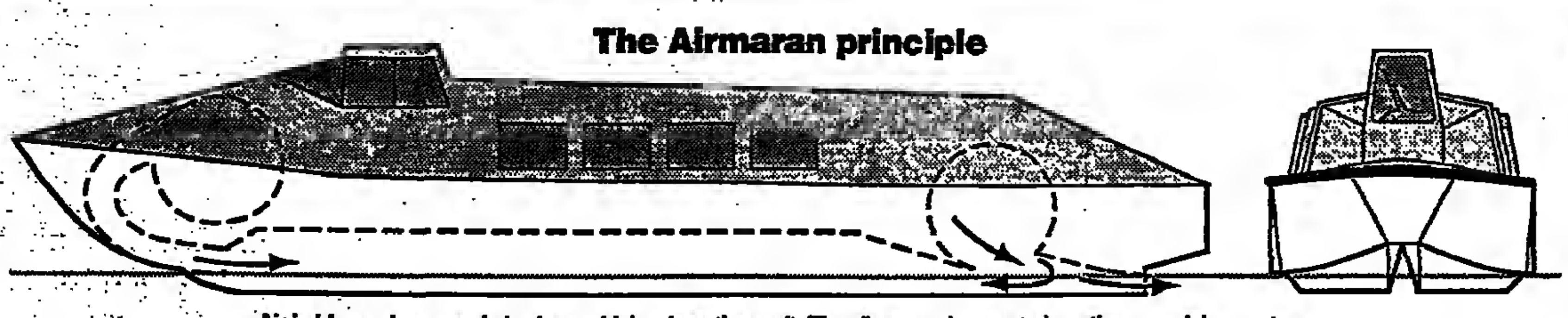
Londoners are also finding it increasingly difficult to cope with a road and rail system which is straining at the seams – traffic volume has increased by 22 per cent since 1979, and the passenger journeys on the London Underground are up more than 70 per cent over five years.

At the same time, economic recovery has reversed the trend towards a declining population – contrary to the forecasts of the 1970s – and has prompted the regeneration of derelict areas such as the old docklands, where a thriving business centre is being established.

These factors have combined to make the late 1980s a propitious time for the river to come back into its own. But the omens are not all good. Several attempts have been made to start a river bus service in recent years, and all have foundered because of poor reliability and technical difficulties.

One of the main problems has been frequent propeller fouling in the dirty and rubbish strewn waters of the Thames, which flows through some of Britain's biggest industrial areas.

This problem has been reduced over the last few years by a determined attempt to clean up the river, and by the impact of the removal of many commercial activities to more efficient facilities.



Air is blown downwards by fans which raises the craft. The diagram does not show the propulsion system.

However, both the new services take advantage of the development of water-jet propulsion to overcome the problem completely.

The first company to offer regular services was John Mowlem, operator of the London City Airport, which runs a river bus between Westminster and the airport, which is situated in the old Royal Docks.

This is a limited service designed solely to overcome the difficulties experienced by many potential airline passengers in travelling from central London to the airport through the congested roads of East London.

The vessel travels on an air cushion but does not need flexible skirts at bow or stern

More ambitious is the service operated by Thames Line, which eventually plans to provide regular scheduled services between 29 piers from Chelsea Harbour to Gallions Reach, downstream of the river Barrier.

Thames Line has begun operations on the central part of the route using a fleet of Australian-designed Incat high speed catamarans capable of carrying 60 passengers, and claims it has high hopes of long-term success.

The company raised the money for its services through the Business Expansion Scheme, and has the advantage of having been nominated the preferred operator of a river bus service by the Port of London Authority, the Thames Water Authority and the London Docklands Development Corporation, which share responsibility for the river and its banks.

The high speed catamarans being used by Thames Line were chosen because of the proven responsibility of the basic concept, and their performance in extensive trials on the river itself.

However, Thames Line has abandoned plans to take a technological leap forward by operating, in tandem with the catamarans, a second type of vessel known as the Airmaran.

The concept was developed over the last 18 years by Mr Peter Corson, a retired naval officer whose aim was to combine the high fuel efficiency of hovercraft with the simplicity and relatively low building cost of conventional ships.

Mr Corson claims the Airmaran would use 40 per cent less fuel than the Incat boats, and would make less wash, an important factor on the relatively narrow Thames.

The Airmaran is a tunnelled mono-hull craft in which air is blown downwards at the bows by a powerful fan, raising the craft slightly in the water, and consequently reducing drag. In effect, the vessel travels on an air cushion in the same way as the familiar sidewall hovercraft, but does not need flexible skirts at bow or stern to keep the cushion in place.

The design ought to mean that Airmaran could deliver many of the advantages of hovercraft at around a third of the cost because it could be built using cheaper shipbuilding techniques.

However, the development of the Airmaran in the UK has been brought to a halt by the Transport Department, which insists that it must be classified as a hovercraft rather than a boat. This is consistent with the Hovercraft Act, 1968, which defines a hovercraft as "a vehicle designed to be supported when in motion wholly or partly by air expelled from the vehicle to form a cushion of which the boundaries include the ground, water or other surface beneath the vehicle."

But the Act did not foresee the development of vessels such as Airmaran, and the effect is to bring it within the scope of regulations designed for a former generation of much bigger and faster hovercraft, such as those operated on the Channel.

The Transport Department, possibly with the public transport accidents such as the capsize of the Herald of Free Enterprise in mind, says safety can only be guaranteed if the Airmaran is treated as a hovercraft.

This classification means that construction and maintenance arrangements would have to be approved in advance by the Civil Aviation Authority, and captains would need to have to have CAA certificates of hovercraft competency.

Mr Corson says this would force up the design costs of Airmaran by up to £20,000. On top of this the builder would have to introduce a control system costed at £30,000, and building costs could be further inflated by the difficulty of putting the contract out to tender.

Finally, the design would have to pass through nine stages of CAA checks before certification, including consideration by the air worthiness board. This could lead to multiple extra costs: seats, for instance, would have to be twice as strong to conform to hovercraft regulations.

The Thames Line episode indicates that the extra costs involved are likely to make the Airmaran uncompetitive with high speed catamarans and other conventional craft.

As Mr Corson says: "What is happening is that we are trying to marry two technologies, and the bureaucracy is not designed to cope with it." He adds that a solution would be possible "if they did not sit there with absolutely closed minds."

Mr Corson has not taken the Department's approach lying down. He argues vigorously that there are several important reasons why the Airmaran should be treated as a ship and not a hovercraft:

- The vessel is designed to operate at 27 knots, significantly slower than the 35 knots speed of most sidewall hovercraft.

The Hovercraft Act did not foresee the development of vessels like the Airmaran

- The underside of the vessel closely resembles a catamaran, and delivers substantially more stability than a hovercraft.
- The air cushion contributes on some 50 per cent of lift, compared with 80-90 per cent in a hovercraft.
- Airmaran hulls would be built to Lloyd's Rules for ships, making them half as strong again as those built under hovercraft regulations.

Mr Corson has urged Mr Paul Channon, the Transport Secretary, to use his power under the Hovercraft (General) order 1972 to exempt the Airmaran from the regulations under the Hovercraft Act.

He has some unexpected documentary evidence to support his case, partly drawn from the official reports of tests on a prototype carried out by the CAA.

After the first trial, Mr Tony Seal, head of the CAA's hovercraft department, reported: "The layout of the craft is entirely boat-like."

After a second trial, Mr John Syring, the authority's technical consultant for hovercraft trials, noted: "In general it handles like a boat of similar speed and size, and was not obviously a hovercraft in its handling or behaviour."

Lloyd's Register of Shipping, which carried out a structural analysis of the hull and superstructure, reported that its method of gaining lift was "quite contrary to the principle of operation of a hovercraft."

In addition, the former Greater London Council, the Thames Water Authority and the PLA have all given sympathetic support to the project.

Mr Channon has not given a final ruling on whether the Airmaran can be exempted from the hovercraft regulations and Mr Corson says he would be satisfied with partial exemption, which would allow the CAA to supervise the fan system, while treating the hull and machinery as a conventional boat.

In the short term Mr Corson would like to press ahead with construction of a 12 seat version of the Airmaran, for which he says he has a potential buyer. However the Department of Transport has given no indication that Mr Channon will be prepared to be flexible.

If there is no progress, the design may go abroad to a country with less inflexible construction regulations. "I have received three applications for licences, from South East Asia, the Mediterranean and North America, but it seems so silly that we can't reach agreement," says Mr Corson.

WORTH WATCHING

Edited by Geoffrey Charlish

Making intelligent use of disk time

CRISTIE ELECTRONICS of Stonehouse, Gloucester in the UK, is offering an "intelligent" floppy disk drive. Called Printdisc, the unit saves time in computer aided design (CAD) and desk top publishing operations.

Plotting information is often sent straight from the CAD computer to the plotter, which can tie up the computer for anything from a few minutes to several hours, according to Cristie.

Instead, a local floppy disk drive is used to record the data in a few seconds. The user then takes the disk to the Printdisc, which is permanently connected to the plotter and can then be left unattended to plot the floppy's contents.

As well as releasing the workstation for immediate further use, Printdisc also enables several CAD workstations to use a single plotter or printer without wired connections.

Chip can remember 2m characters

JAPANESE ELECTRONICS group Toshiba is working on a 16 megabit dynamic random access memory chip (DRAM) but says that "some more years" of development will be needed before the device can be put on the market. Such a chip, able to hold 16m bits, would be able to remember some 2m characters, roughly equivalent to two editions of the Financial Times. The chip is about the size of a thumb nail.

Remarkable strides have been made in memory chips, bearing in mind that in 1961/2 the capacity was a mere 64 kilobits. Today, one megabit (a million bits) is commonplace and the four megabit era is fast approaching.

The experimental 16 megabit device integrates some 34m memory cells (each with a transistor and a capacitor) and the time required to find and read any one of them is measured in billionths of a second. The distance between the elements on the chip's surface is only 0.7 micron (a micron is a millionth of a metre).

Toshiba says that at these microscopic dimensions, ways have to be found to prevent electric charge leaking from one cell to another, causing errors in the stored data. It believes a modification of its "trench" structure will be successful.

Also planned for the chip is rapid read-out of data in serial form without the need (as is normally the case) to address and read each bit individually. One instruction will allow a defined stream of bits to be read out, making possible the storage and rapid retrieval of high definition picture data. Such a chip will be needed for the TV sets and video recorders of the future.

Optical disc-based publishing system

BELL & HOWELL, the US-based information technology company, is introducing into Europe an electronic publishing system aimed at companies that have to disseminate spare part and service information to a number of distributors or service centres.

Called IDB 2000, the system is already in use in the US at Chrysler and General Motors. It is able to provide details of 325,000 GM parts, covering the last 12 years, on just two CD-ROM optical discs. (CD-ROM, or Compact Disc read only memory, is a development of the CD music disc).

Ease of identification by dealers or mechanics is the key feature of the system. The user sees a series of displays on the screen, starting, in the motor industry case, with a catalogue of vehicle models. The wanted model is selected by simply touching the screen and then the user can select engine, transmission or some other segment, gradually working down towards the wanted part, simply by touching the screen appropriately. Then, the corresponding part number and other data can be transferred straight to an invoice or order form.

Bell & Howell uses CD-ROM for smaller systems, but with large libraries and many terminals, large scale magnetic hard discs are used to get sufficiently low access times.

CONTACTS: Cristie: UK, 045382-3611 Toshiba: Tokyo, 457 2104/5. Bell & Howell: UK offices, 0784 251234.

Grupo Industrial Alfa

Now that the burden of debt has gone

David Gardner reports on the drastic restructuring of Mexico's biggest private company and its plans for the future

GRUPO INDUSTRIAL ALFA, the debt-battered flagship of Mexican private enterprise, can unfurl its colours once more. After six long years of negotiating with its creditors, it has just wiped $1.5bn of its $2.7bn foreign borrowings off the books.

This virtually completes the largest, assuredly the most complex, and arguably the most advantageous corporate financial restructuring since the foreign debt crisis burst over Latin America in 1982.

Alfa, moreover, is once again thinking of expanding, evan though it was mainly a debt-financed, magpie acquisition spree during the petrodollar-recycling 1970s which in 1982 drove the group into *de facto* insolvency. But expansion will now be based on Alfa's proven core businesses, steel and petrochemicals.

It will emphasise exports and take place in a much more competitive environment aftar Mexico's wholesale opening of its trade borders this year, and though initially it will be financed from within the group's now much enhanced resources, group executives do not rule out new borrowing.

In exchange for its financial transformation, Alfa's main shareholders, the Garza Sada family (see below), have had to cede about a third of the group's equity to its international bank creditors as well as surrendering substantial board control.

But against this its total liabilities have been reduced by 54 per cent since the black year of 1982, its equity base has been nearly tripled, its debt-to-equity ratio has come down from 7.9 to 1.3, its current ratio of assets to liabilities has risen sixfold, and its management can now think seriously of profit margins.

It is also a much leaner business. It has reduced the number of its companies from 143 in 1982 to 107 now, through a divestiture programme which runs to tha end of 1991 under covenant with Alfa creditors. Simultaneously, its workforce has shrunk from 49,019 to 29,550, with its top heavy corporate staff cut from 4,000 to 341.

From a haphazard involvement in 39 industrial sectors, the Montarrey-based company has regrouped into five divisions: basic steels, which generates 38 per cent of cash-flow and 45 per cent of operating income, petrochemicals (30 and 37 per cent respectively), joint ventures, into which paper and packaging has just been merged (12 and 9 per cent), "diversified products", from car parts to tourism (8 and 6 per cent) and food (12 per cent of revenue and 4 per cent operating profit).

But perhaps the most visible transformation has been in the confidence of Alfa executives themselves, now that most of the debt burden has slipped from their shoulders and they return to their role as industrialists. As Peter Hutchison, Alfa's Anglo-Chilean vice-president for corporate finance and planning, says: "I had no interest in working for a company as a debt-collector for the next 15 years." Despite the dilution of control, the new agreement, he argues, "creates incentives for management; wa have 70 per cent of something to work with now rather than 100 per cent of nothing."

Hutchison has been involved in the many ups and downs of the debt re-negotiations since Alfa called an emergency meeting with its creditors in December 1981, an early harbinger of what was to happen to Mexico itself nine months later.

The gronp, then and now Mexico's largest private holding company, dealt a severe blow to business confidence by suspending principal repayments in April 1982 and, by August that year, deferring 70 per cent of its interest bill.

By December 1985, an outline restructuring had painstakingly been hammered into shape when the collapse of oil prices and consequent Mexican recession, plus the effect of government steel price controls on Alfa cash-flow, meant the figures no longer added up. "We had to throw four years work down the drain," says Hutchison, but recalls brightly that the fateful decision was taken on December 12, the feast-day of the Virgin of Guadalupe, Mexico's patron saint.

Divine intervention aside, too much was at stake for Alfa and the banks not to try again. The gronp responded with some aggressive and imaginative financial engineering, "now that we knew what kind of deals the banks were looking for," Hutchison relates.

Giasa, the holding company, has now surrendered 45 per cent of its equity, the price of reducing its debt from $1.02bn to $200m, which its bankers have swapped for Mexican sovereign debt (UMS) held by Bancomer, the leading commercial bank. Bancomer has restructured the $200m obligations, which furthermore are insured against exchange risk under the Bank of Mexico-devised Ficorca scheme for private foreign debtors.

Aside from the "very sizeable premium" implicit in the capitalisation, Giasa now has one creditor instead of the 170 it started with, which "simplifies things enormously administratively," Hutchison says.

Alfa's holding in Hylsa, the main steel concern, has been diluted by 21.4 per cent, in exchange for which Hylsa's debt has been written down from $1.2bn to $574m including suppliers' credits. Of the residue, $352m has been swapped for UMS debt in the portfolio of Banca Serfin, the third leading Mexican bank, with $222m repayable over 13 years to 19 foreign banks which decided to stay with the company.

Serfin, owned by another branch of the Garza Sada family until the Government expropriated all banks in 1982, has, in partnership with the International Finance Corporation, the World Bank's soft-loan arm, also bought out $74m in bank debt owed by Alfa's 42-company food division, reducing it to $18m in exchange for a 49 per cent stake, with options to Alfa to buy it back.

The main packaging company, Titan, has abandoned plans for a conventional restructuring and is now looking to swap its $110m debt into UMS. The highly profitable petrochemical companies' debts are being either conventionally rescheduled or pre-paid, an index of Alfa's transformed position.

Alfa intends to keep reducing its debt by looking for prepayments at 40 to 50 per cent discounts on the face value. "It's very difficult to find investment projects with that return," points out one executive, but the main objective is to generate resources to strengthen Hylsa and diversify in petrochemicals.

The Hylsa restructuring followed a Morgan Guaranty study last year of the company and Mexico's steel industry — where the problem of overcapacity is being resolved by closures and rationalisation in Altos Hornos de Mexico, one of two state integrated steelmakers which compete with Hylsa.

The company's creditors accepted Morgan's recommendation to apportion a far greater percentage of cash-flow to development. "It was a very intelligent decision by Morgan not to suck (Hylsa) dry," comments Hutchison.

Hylsa pioneered and developed the direct reduction process, a rare example of Mexican technology being exported, in association with GHH-MAN of West Germany, Dravo Corporation from Pittsburgh, and Kawasaki Heavy Industries — a successful experience in up and downstream marketing in which the expertise of those which build and those which operate the low outlay plants is combined.

Hylsa's own output has also been made more competitive as the technology has been refined for foreign sale; through, for example, the switch three years ago from "batch" to "continuous" casting.

After six years of constantly reducing unit costs, Hylsa last year operated at full capacity, raising revenue 14 per cent in real terms. Hylsa plans to reinvest up to $350-450m in the next four years, though the objective now "is not to expand capacity but to make existing capacity more competitive," Hutchison says, and to raise exports from last year's $42m.

He sees steel supply and demand tightening up internationally, but is concerned about Mexico's reduction of steel tariffs this year from 30 per cent to between 5 and 10 per cent, against, say, Brazil's 40 per cent. Had Hylsa not reached the favourable restructuring agreement that it did, it would have been at a serious disadvantage.

This drastic opening comes at a time when an exchange rate frozen since December has eroded the peso's margin of undervaluation, and Mexico has still to try out its anti-dumping legislation. "If we were to protect ourselves as well as the US does we'd be very comfortable," one senior executive remarks.

In petrochemicals, where the Government recently turned over 36 product groups to private investment, Alfa is diversifying by building a new $60m polypropylene plant and further expanding Petrocel's DMT (used for polyester film and fibres) production capacity to meet fast growing demand in Japan and Korea. Polioles, the group's leading producer of expandable polystyrene, even bought a local competitor last year, while in packaging, Titan recently opened a new moulded cellulose plant.

Petrochemicals is to be the cutting edge of Alfa's now permanent export drive, earning $150m of the group's $328m foreign sales revenue last year. Total exports now represent 18 per cent of turnover, over five times the 1982 figure.

When Mexican demand revives to something like 1982 levels, says Rafael Paez, Alfa chief executive, it will be met by expanding capacity rather than re-directing exports inwards as Mexican industry in general — until recently casual exporters — had done while domestic markets were highly protected.

"It is not the primary goal to get back to where we were, but fully to restore financial health, and be in competitive businesses," Paez says.

Though Alfa is cagey about the question, it may be assumed that it will wish to keep a third strategic leg in the food division it is committed to selling off. These companies have been turned round into operating profit and the group clearly feels it paid a high price to learn about food.

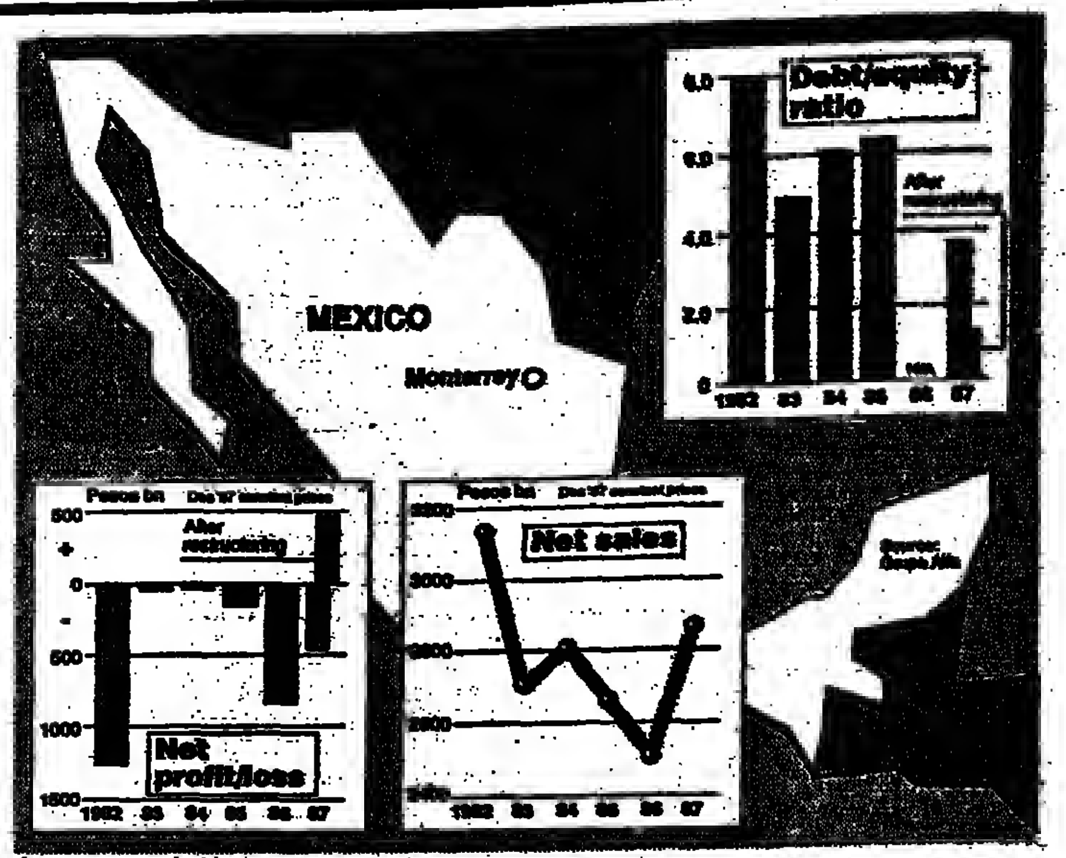
A decision on this may be the first test of the new shareholding arrangements with its former bankers. The 15-man board, which ten years ago had nine Garza Sada family members on it, now has nine prominent Mexican businessmen as its majority chosen by mutual agreement with the banks.

It is, says Hutchison, "the best board in Latin America." Management was initially worried about lines of communication, Paez recalls, but after two informal induction meetings before they took over, "the results have been better than we expected — and much faster."

Both men say that since the banks are no longer creditors but shareholders, there is no longer conflict of interest but a common endeavour to maximise profits for all shareholders.

An early decision has been to make each group company responsible for its own debt and financing, so that Petrocel, for example, may shortly seek new foreign credit for its expansion. "In the past the easy way for both (Alfa and the banks) was to give the holding company as a guarantee (for borrowing). This meant there was no analysis of a specific project or company's viability," says Paez.

Salvador Kalifa, formerly the group's chief economist now retained as a senior consultant, takes Chrysler as an example of the sort of recovery he now sees for Alfa. "You should look at Alfa not for what it was but for what it will be," he says, adding that "then a return to the open (credit) market would not be unthinkable."



A dynasty at the core of capitalism

MONTERREY'S Garza Sada dynasty can justly lay claim to be the core group of Mexican capitalism in this century. Their exploits and family rows exert a sort of Dallas-like fascination on Mexicans.

Tha mnch ramified family owns not only Grupo Alfa, but Vitro, the monopoly glass manufacturer, Visa, the large brewery and monopoly soft drinks prodncer, and Cydsa, the large fibres and plastics concern, all collectively known as the Monterrey Group.

Before the banking system was nationalised in 1982, Visa owned Banca Serfin, the third largest commercial bank. In 1946 the Group also founded the Monterrey Technological Institute, modelled on the Massachussetts Institute of Technology, in an attempt to popularise its business philosophy.

The first Garzas and Sadas, of Sephardic Jewish descent, set np a brewery a century ago. They grew organically from that, branching into bottling (ergo Vitro), packaging (Titan and later Cydsa), and metalworking to meet their machinery needs (the origin of Hylsa). To finance their operations they bought the old Bank of London and Mexico, the name still on the headquarters of Serfin.

Paternalist in their relations with labour, and hostile to encroachments by the regime which has ruled Mexico from the 1910-17 Revolution to today, perhaps the Garza Sadas' most far-reaching row was with President Luis Echeverria, whose statist policies in 1970-76 led Eugenio Garza Sada to try to forge a conservative coalition against him. The then family head was assassinated in obscure circumstances in 1973 and the break-up of the Monterrey Group into its present shape followed.

This was intended to lower the group's profile as a possible target for nationalisation. But a side-effect was that it stimulated growing family rivalries which became particularly evident in the ruinous expansion drives of Alfa and Visa, the only limit to whose acquisitions, the historian Enriqne Krauze has noted, appeared to be the contents of the Monterrey yellow pages.

A particularly bitter round of internecine warfare is still unresolved at Visa, where Eugenio Garza Laguera is resisting takeover from Javier ("Manotas" or Big Hands) Garza Sepulveda through a complex process of dilution and regrouping of stakes.

The group's political axe was badly blunted in 1985 when the de la Madrid Government brought pressure on the Vitro board to force the resignation of its long-time chief executive, Rogelio Sada Zambrano, because of his support for the right-wing National Action Party (PAN).

There are clear signs of a new honeymoon with the regime, bowever. The de la Madrid Government played an instrumental role in facilitating the group's financial restructurings. Carlos Salinas de Gortari, the young former Planning Minister nominated by de la Madrid as his successor, whose declared victory in the presidential election is being disputed by the opposition, is from near Monterrey and is decidedly pro-business.

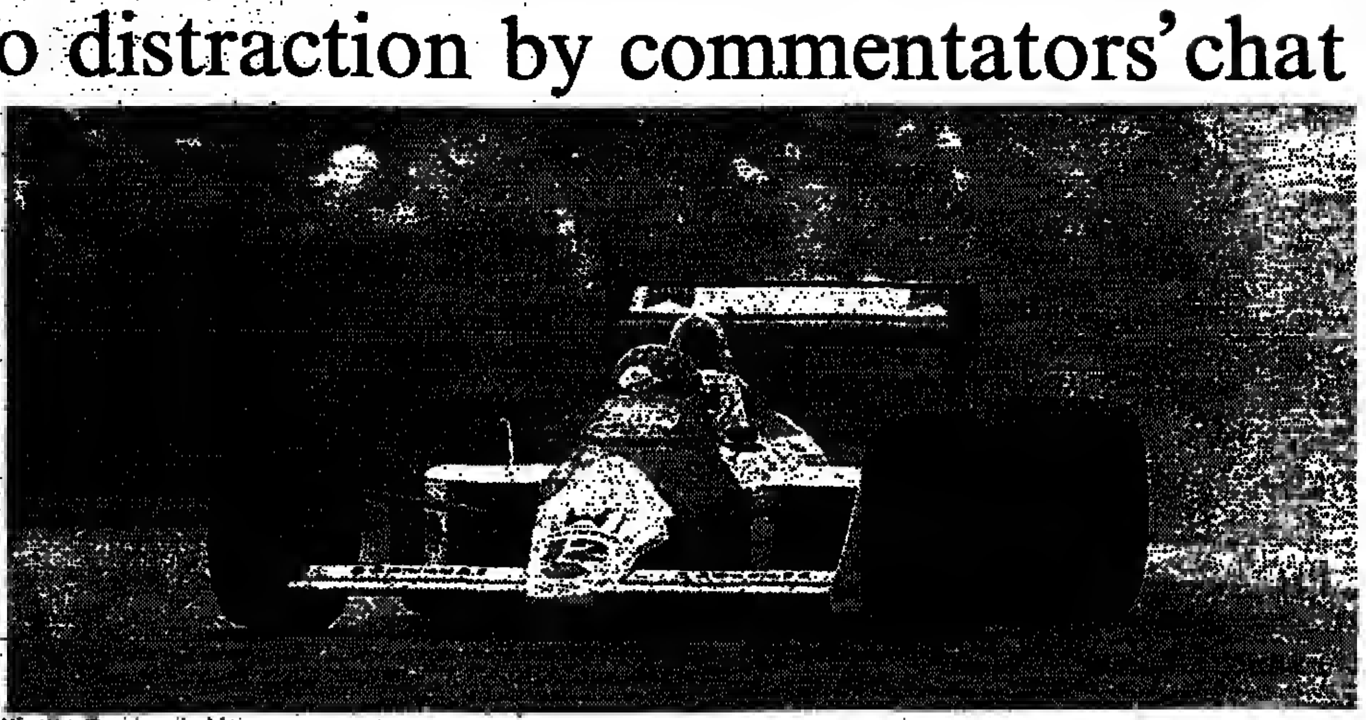
ARTS

Television/Michael Thompson-Noel

Driven to distraction by commentators' chat

It's a funny sport, motor racing. What made the British Grand Prix at Silverstone last Sunday even funnier, of course, was the summer monsoon, which meant that every time Senna or Mansell or Gugelmin or little battling Nakajima hurtled into view, a vast spray of water drenched my sitting room carpet. There were times when I felt certain that what I was viewing was gondola racing.

Except, of course, that I could still hear Murray Walker's supercharged, data-laden commentary. Occasionally, James Hunt squeezed an elegant word in edgeways, but for most of the time all we could hear from behind the waterfall was good old Murray roaring on about reactive suspension systems, wet weather tyres, fuel consumption figures – in fact, just about anything – because what Murray belongs to is that school of sports commentators whose mission is to batter whole viewing regions with such a megatonnage of data, such an overkill of excitement, that it is a wonder that anyone is fit to work the next morning.



Brazilian Ayrton Senna in a McLaren Honda hurtling through the wet on his way to victory in the British Grand Prix at Silverstone last Sunday

You can tell how desperate I became because I went and dug the garden, which is no fun at all in Notting Hill. I have already unearthed a greenhouse and a poisoner's bath, plus parts of a mastodon. By the time I had finished outdoors and reasserted myself in front of the television, the spray had cleared, Murray had been silenced, Senna had won, Mansell had performed miracles of fine driving to finish second and we were off to Nice for a spot of athletics (more than a spot, actually, for it was on at least two channels – perhaps all four).

It was nice in Nice, which meant that the commentators were all tuned up and ready to roar. For athletics is another sport that suffers grievously from raucous commentating and spittle-drenched data.

Do we need to know that 24-year-old Ingrid [illegible], a Frankfurt housewife, mother of two – has been running since the age of three and that she has just recorded the 47th fastest 1,500 metres in the world this year, or that Sergei McBukha, 27, hails from Siberia, weighs 14½ stone, stands 6ft 3ins, speaks Norwegian, teaches at night school, eats 47 eggs a week, is not yet married and has achieved the 2nd, 4th, 6th, 7th, 8th, 10th, 11th, 13th and 24th best triple jumps in all recorded history?

We do not. But you can wager that we will be told, just as we will be assaulted with as many other scraps of information as can be compressed into a broadcast. Where is the poetry, I tend to ask myself? Where the burnished insight? Where the golden silences? Where, in all of television, is there a wordsmith capable of embellishing the pictures on our screens with the deftness and authority of the best print journalists? Why must know-alls like Ron Pickering (athletics) or Murray Walker hurl non-stop data at us? Why is TV sport such a festival of clichés? These are large questions.

It is not all bad. The BBC's coverage of Wimbledon, for example, remains a casebook study of what is best, with the Dan and John show (Dan Maskell and John Barrett, the latter of whom writes tennis for this newspaper). It has been said too many times, but the thing about Dan and John is that they know when to shut up. They tell us what we do not know, using their expertise to underpin their commentary rather than to bludgeon us.

If only the athletics boys would study Dan and John. Part of the problem is that the athletics commentators feel obliged to justify every cent and penny that their channels have paid for the broadcasting rights, so that we are forever being welcomed to an "historic night of athletics" starring "a spectacular array of talent." Roll up, roll up! Grudge matches aplenty! World records assured! Watch Cram bash Coe. See Coe mug Cram!

So it was on Sunday, when the commentators welcomed us to Nice for a much-trumpeted but in reality routine clash between Britain's Tom McKean and Steve Cram over 800 metres. Well, said the commentator, when McKean had won, wasn't that thrilling, wasn't that dramatic, wasn't that – *historic*? How do you feel about that, Tom McKean?

But McKean let the side down because McKean knows that there are only two really important dates for a British athlete this summer – the UK Olympic selection trials and the Olympic Games themselves. Win, lose or draw, said McKean stoically, Sunday's little training spin, however nice in Nice, was of no consequence at this stage of the season. Collapse of stout commentator. A shout for more data. Thrills, spills, blood! Bring on the hammer throwers! Order up the fire eaters! Where are the lions? Isn't this exciting!

Occasionally we get a decent magazine programme on sport. An example was last week's *Games of '48* on ITV in which Brian Moore pottered through some wonderful library footage of the 1948 London Olympics, updated by recent interviews with the likes of Fanny Blankers-Koen (four gold medals – "every day I take a spoonful of the cod liver oil") and Emil Zatopek.

They don't hold Games like that any more. German prisoners-of-war were seen working on the approach road to Wembley Stadium. The 4,000 competitors included a large South African contingent. The British team was carted off (possibly literally) for a training weekend at Butlin's Clacton holiday camp. And the whole proceedings were pervaded by the dotty, do-or-die attitude of amateurs (in fact, many of them were shamateurs), competing in what Moore called the "last of the great and true Corinthian events" before politics and commercialism reared their heads.

There is a dreadful amount of rubbish talked about the great days of the amateurs, without any realisation that the Age of the Amateur was fostered by hypocrisy and snobbishness. Its values were false. There is nothing new about professionalism in athletics; nor about drugs.

In any case, this is the new Pagan Era, the Loadsamoney Nineties, the day of the sponsors. We simply must get with it. If the Olympics wish to wade in commercialism, let them get on with it. It will do them no harm. There will be scandals, for sure. The wimps will be offended. But this is history in the making. Isn't it gripping? Isn't it fun?

I have grown weary, in recent weeks, of watching cricket on the box. What dreadful stuff it is. They should rip up the schedules, at least until England produces a team instead of a troupe of stuffed animals. In like vein, I will be tearfully disappointed if the much-mooted English soccer Superleague, funded by ITV, does not come to pass. An announcement is expected today. Why anyone would pay more than about £9.95 to televise the dreadful sterility of English League soccer as presently dished up is a mystery that confounds me. Bring on the Superleague, with satellites for the regions! These are the Nineties! Isn't it fun!

By coincidence – or perhaps not – the most gripping sport on British TV at present is to be found on Channel 4. I have become addicted, in recent nights, to Channel 4's superb coverage of the 75th Tour de France, which manages to combine exhilarating pictures of the pack scouring through the French countryside with some excellent commentary. It is very technical, cycling, but it is also very sexy.

It can also be confusing. "Now," said commentator Phil Liggett last week (it lasts for months, the Tour de France) "is this the middle group or is it the leading group . . . it could be a gift for Sean Kelly . . . It could be one of those situations that develops into one of the stories of the Tour de France;" all this while the main pack (for main pack it was) was scything past Vimy Ridge. Magnificent!

The other good news on Channel 4 is the coverage of horse racing, which is achieving very high standards. I love the entire team, whether it is dapper Brough Scott, erudite John Oaksey, the splendid John Francombe – "Eee didn't look az zough 'eee waz goin' anywhere" – or the completely eccentric yet invaluable John McCririck, whose role is to relay intelligence from the betting ring.

Last week, for the July Cup at Newmarket, McCririck was wearing shades, boater, blazer, cravat, many diamond rings and two pots of geraniums stuffed into his top pocket. He was roaring on about a runner that had plummeted in the betting – "a right steamer," in the vernacular. It was a brilliantly sunny day. Poetry in motion. A masterpiece by Stubbs. History in the making. Loadsamoney everywhere. The steamer got stuffed. Now *that* was exciting.

Be Bop A Lula/Liverpool Playhouse

Michael Coveney

Bill Morrison's new play with old rock and roll music at the Liverpool Playhouse sets up a reverberative moment in the transatlantic cultural alliance. This is the 1960 British tour undertaken by Eddie Cochran and Gene Vincent under the management of Larry Parnes, with Brian Bennett (later of the Shadows) on drums, Joe Brown (later of the Bruvvers) on lead guitar, Georgie Fame on keyboards and Billy Fury cutting loose from life as a steward on the Mersey tug boats in a gold lamé jacket.

Cochran, much influenced by Elvis Presley and Buddy Holly, was a rising star. He died in a car crash after the Bristol engagement and Vincent declined into acute alcoholism and grossness, dying in 1971. Morrison sets up these two hard-drinking, competitive buddies against a pre-Beatles showbiz scene of skiffle, Oxbridge television producer opportunism, and an entrepreneurial spirit determined to break the Grade monopoly.

This proves too big a commission for proper dramatic investigation when the major point of the exercise is one of musical necrophilia. In this respect, the show, played fluently on Candida Boyes's set of open scaffolding, is every bit as good as Willy Russell's Beatles album and Alan Bleasdale's Elvis celebration. The songs are played and sung "live" by a notably proficient cast, and the two leads capture exactly the hard, howling, bluesy, dangerous and ecstatic noise of rock and roll that was soon to be packaged and sanitised in the city of Liverpool itself.

But once Cochran overcomes his astonishment at Joe Brown's ignorance of thumb-picking Chet Atkins, and has demonstrated how to "bend" a guitar line around two or three loosened strings, the culture clash dissolves into expressions of cheerful artistic pragmatism broken up with soul-searching, bottle-wielding dialogue between Cochran and Vincent, much of it dripping with stuck-on research (by pop archivist Spencer Leigh).

Tim Whitnall played a young Elvis ten years ago and his Eddie Cochran is clearly a grown-up crowd-pleasing version, though tainted with premonitions of an early death. The actor reserves all his energy for the songs, notably a tremendous, pulsating version of "Milkcow Blues" and a highly skilled reworking of Ray Charles's "Hallelujah I Love Her So."

With Gene Vincent, you feel Morrison (who also directs) has found his real source of interest. With his crushed leg and permanent personal prop of a wild Turkey bottle, Vincent in satanic black leather becomes the essential touring alien, haunted by a soothing lady saxophone-blower back home. Andrew Schofield snaps up this opportunity with self-immolating, ferrety ferocity. The malformed, Crookback image is spotted early on by TV producer Jack Good; but while, later on, we see Billy Fury (Gary Mavers) preening himself for action by back-combing his hair and bolstering his genital credentials, Schofield's Vincent makes no distinction between performance and reality.

The music supports this approach, Schofield leaning forward into the microphone with appalling malevolence for the title number and collapsing disconsolately in the aftermath, "The Night Is So Lonely." Curiously, he also revels in the plaudits of Vegas top brass like Lena Horne and Liberace, and is not above exploiting his painful leg to recruit drinking companions.

The tour itself becomes a drag, enlivened only by the sprightliness of Joe Brown (delightfully impersonated by Rob Jarvis) and the ebullient Scoose road manager, Hal Carter (Michael Starke). It then becomes a disaster, Cochran elevated in popularity way above Vincent at the moment of his death. The Marlovian curve is well charted though skimpily described. Schofield's distraught hell-raiser is left sitting on his friend's coffin with one week's grace before returning to the grim grind of Gaumonts and Odeons from Halifax to Romford in the middle of 1960.

Tim Whitnall and Andrew Schofield

The Parasol/Scarborough

B.A. Young

Frank Dunai's dramatisation of Chekhov's story *Three Years* (*which I cannot find in my local library*) suggests an actual Chekhov play written before any of the pieces we know him by. Indeed it incorporates motives that we recognise from those plays. Yulia wants to marry Alexei, that "good, kind, rich Moscow merchant," never mind that he is good and kind but because *of the lure of Moscow shopping*; and at the end, when Alexei realises that he must play a real part in the family business, there are some familiar reflections on work.

Yulia's father, Byelavin, is an irritable surgeon attending Alexei's sister Nina, dying of cancer, and one can see that anything would be better for her than staying in that *milieu*. But the move to married life in Moscow does not solve anything; Alexei's brother Fyodor and his father Laptev keep on about the business, in which Alexei takes less than his proper share of interest; and, what is worse, Alexei has a discarded mistress, *Polina, less than happy with the* situation.

Matters begin to settle down when Alexei's friend Yartsev takes over Polina, but there has never been any hope of a happy marriage. Chekhov is a master of the word "No." "Are you happy?" Yartsev asks. "No." "Does she love you?" "No." It is made to sound like a paragraph each time. When Alexei asks Yulia why she married him, she says, "I did not know it was possible to be unhappy even in Moscow."

Matters come to a Chekhovian head when Fyodor, who has been working on a political pamphlet, has evidently gone off his head, and Laptev announces that his sight is now too bad for him to carry on any more. With a sudden crisis of conscience, Alexei sends for the books. This is not to engineer a happy ending, though; Yulia, who has uncharacteristically begun to feel a belated affection, complains, "Now I shall see less of you than ever."

The play is full of good lines, and the playing under Alan Ayckbourn's *direction is admirable*. (Though I wish he would get them all to say "Alexei" properly.) Peter Forbes has drawn a perfect sketch of that unheroic hero in the first five minutes, when he is trying to get on terms with Yulia – the sweating palms wiped on the jacket, the furniture always in his way. Yulia is subtly done by Francesca Buller, a beautiful young lady capable of making herself suggest a beautiful rat.

There is able playing by Lynette Edwards as Polina, Jon Strickland as Nina's husband Panaurov, ambitious but useless, Simon Chandler as Yartsev, the charmer, John Gillett as Fyodor, and the two oldies, Peter Laird as Byelavin and Graeme Eton as the dictatorial Laptev. Michael Holt has designed the interiors with such care that fresh flowers are brought on to indicate passage of time, and it is presumably he who has devised the 19th-century suits for the men.

L'Incoronazione de Poppea/Christchurch, Spitalfields

Andrew Clements

The operatic centrepiece of this year's City of London Festival is what is described as the first complete British staged performance of Monteverdi's *L'incoronazione di Poppea*. The staging in Christchurch, Spitalfields by Opera London – a newly-named company but essentially the group that produced the excellent *Alcina* at last year's festival – follows hard on the heels of the Early Opera Project's concert performance of the opera last month in the Elizabeth Hall. That was based upon the Naples manuscript of the opera; the current production, which runs until July 29, uses an edition by Clifford Bartlett based upon the other known source, less extensive musically, from Venice.

Its realisation in performance differs in some respects from the Early Opera Project's – the continuo is shared between harpsichords, chamber organ, regal and harp, while a pair of cornetts offer extra colour – so that the overall effect is marginally less austere. The part of Amore is sung here by a boy treble rather than a soprano, but otherwise the allocation of voices is identical, with a mezzo-soprano Nerone, and countertenor Ottone.

What the EH performance signally lacked was a sense of theatricality. For all its carefully articulated textures and vocal lines, it remained too cool and objective, scarcely penetrating the emotional heart of one of the most erotically charged of all operas. For Opera London Stefan Janski with designer David Bright has mounted an elaborate staging, played predominantly in the round with upper galleries fore and aft used for the gods and the bedroom of Poppea and Nerone, and lavishly and somewhat brashly costumed.

Despite all its paraphernalia, however, Monday's first night seemed to skirt the core of the work just as certainly as the concert performance; the action was largely inert, and despite the vivid excellence of some of the individual contributions, the components were presented too disjointedly to cohere as a dramatic whole.

At some moments a lack of precise co-ordination seemed to be the problem – reactions presaged events or followed them at a discreet distance, rarely formed a natural consequence, so that the action was not allowed to acquire a convincing dramatic momentum. Richard Hickox's musical direction seemed to encourage that piecemeal approach, tending to break the work down into setpieces rather than allowing it to build its own head of steam, and it was significant that the contribution of some of the smaller, self-contained character roles brought the opera most vividly to life – Juliet Booth's preening Valletto, Adrian Thompson's Arnalta.

Of the protagonists James Bowman's Ottone showed exemplary vocal control and well-defined dramatic focus, but his portrayal, like that of his colleagues, did not seem to have integrated into the work as a whole, or fitted convincingly into a network of relationships, while Gregory Reinhart's Seneca and Sarah Leonard's Drusilla were equally well realised in musical terms.

With more dramatic care, and perhaps further performances, the central playing of Arleen Auger's Poppea, intriguingly shaded with half tones and veiled colours, and Della Jones's bustling, impulsive Nerone might well generate the passion and emotional fixity the production presently lacks. There were hints of it occasionally on the first night, but a visit later in the month might produce an experience of rather greater intensity and presence

Arts Guide

July 8-14

THEATRE

LONDON

Too Clever By Half (Old Vic). A fizzing Gogolian production by Richard Jones of Ostrovsky's Diary of a Scoundrel in an old Rodney Ackland version, with remarkable Expressionist designs by Richard Hudson and a brilliant central performance by newcomer Alex Jennings. (928 7616, credit card bookings 261 1821).

Cymbeline, The Winter's Tale and The Tempest (Cottesloe). Peter Hall's National Theatre farewell productions return to the Cottesloe for July before opening at the Olivier Theatre in August. Michael Bryant's tetchy Prospero, Geraldine James's adventurous Imogen and Tony Haygarth's sweaty Caliban are the pick of some uneven performances. (928 2252, credit cards 379 4444).

The Changeling (Lyttelton). National Theatre director-designate Richard Eyre pitches in with an exotic though stickily articulated transposition of Middleton and Rowley to a Goyaesque 19th century Spanish slave colony. Miranda Richardson and the black De Flores of George Harris play second fiddle to William Dudley's designs. (928 2252, credit cards 379 4444).

The Common Pursuit (Phoenix). Second London chance for flawed Simon Gray comedy about Cambridge graduates in love and publishing. The cast includes James Wilby and Patrick Barlow. (836 2294, credit cards 240 9661).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever. (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair. (839 5989, credit cards 836 3464/240 7423).

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, credit cards 379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. Double meanings and double identities abound. (836 6404, credit cards 379 6233).

NETHERLANDS

Amsterdam, Stadsschouwburg. The English-Speaking Theatre of Amsterdam continues its 10th anniversary summer season with James Saunders' Next Time I'll Sing to You, centred around the Essex hermit Alexander James Mason (not Sun or Moon). Also: the Els Comediants company from Catalonia with La Nit, a comic cavalcade of giants and mortals who play out their lives under the full moon. (Until Wed). (24 23 11).

NEW YORK

Fences (46th Street). August Wilson hits a home-run with the tale of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Les Misérables (Broadway). Led by Colm Wilkinson, repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness. It has nevertheless proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower). Lily Tomlin repeats her award winning solo performance of the crazy people who inhabit her funny and strange imagination. Ends Aug 7. (254 3670).

Les Misérables (Kennedy Center Opera House). The touring company of the international hit of last season brings to Washington the historical sweep of Victor Hugo, set to rousing music. Ends Oct 15. (254 3770)

CHICAGO

Pal Joey (Goodman). Set in Chicago in the 1940s, this Rodgers and Hart classic follows in haunting melodies the escapades of a classic heel caught between the one who loves him and the rich lady he wants. Ends Aug 7. (443 3800).

TOKYO

Kabuki (Kabuki-za). The kabuki theatre's greatest showman, Ichikawa Ennosuke, stars in a complete version of one of the most famous plays in the kabuki repertoire, Yoshitsune Sembonzakura (The Thousand Cherry Trees). The performance is in two parts but the play is little more than a series of loosely linked episodes. Act VII features Ennosuke's portrayal of the fox, Tadanobu, *with its magical quick* changes, acrobatics, and a climactic flying exit. (541 3131).

Opera-za no Kaijin, better known as The Phantom of the Opera (Nissei Theatre). Japan's leading musical company, Shiki, acquits itself well in what is a virtual carbon copy of the London original. The Japanese translation is often awkward, but Andrew Lloyd-Webber's gift for musical pastiche, Harold Prince's romantically evocative staging and Maria Bjornson's stunning sets and costumes make for an enjoyable evening whether you understand the words or not. (503 3111).

Les Misérables (Imperial Theatre). This stirring musical adaptation of Victor Hugo's novel of the Paris barricades has returned to Tokyo for another four-month run. (201 7777).

The Mahabharata (Ginza Saison Theatre). The great Indian epic, dramatised by Jean-Claude Carrière and staged (in English) by Peter Brook and his international troupe of actors from Paris. In three parts, performed either on successive evenings or on a single day. Full of enthralling images of earth, fire and water, but not without its longueurs, especially in the final part, which consists of a repetitive series of battle scenes. Ends July 27. (535 0555).

Downfall/Theatre Upstairs

Martin Hoyle

Gregory Motton's *Ambulance* created a nightworld of brutal menace and desolate squalor where misfits scrabble for survival, liable to surveillance by (usually uniformed) "them." His new play above the Royal Court presents a kaleidoscopically fragmented nightmare with familiar ingredients: the lost, the drunks, the fantasists, the bewildered; and, hot on their heels, the threat of authoritarianism.

Many of the 56 scenes are short, cryptic, laconic. There are discernible threads: a murdered policeman, a prostitute shackled to her chair, a woman alcoholic, a constant emphasis on picking sides – "Which side are you on?" demands a dark-coated authority figure of his victim; "They don't even know which side they're on," murmurs the man in the tower inconsequentially of a photograph of Guatemala. The end of the play sees a group of fugitives at Dover. There has been some kind of foreign takeover.

The dialogue pays homage to the twin tutelary deities of the elliptical, Beckett and Pinter. There are echoes of the tarot – the tower, a hanged man beaten by the mob, fortune-tellers – and the scriptures. In the Garden of Skullduggery (an etymological relation of Golgotha?) the drunk is asked if she wants the cup to pass from her lips. And the refugees with their arms outspread, as if crucified, suddenly twitch and ogle and smirk in mime to a record of "Ay-ay-ay I like you very much."

This is one of the grippingly *theatrical* moments of *Lindsay* Posner's production. The central performing area is dominated by the old tin bath slung above the actors' heads and from which Nabil Shaban provides oracular and faintly surreal humour. The lowering of the tub with its grinning occupant as the triumphant tones of "Nessun dorma" rings through the house is another rococo experience in this phantasmagoria of oppression, questing and oblique symbolism. At his sparest, the author is powerfully resonant. With prolixity comes banality; but the whole makes an intriguing dramatic jigsaw.

As ever at this address, the ensemble playing is magnificent. Actors of proven excellence include Henry Goodman, gratefully remembered from the RSC, and Susan Brown who spends much of the evening keeling over, prone or demanding help, not always in that order. They are joined by Gary McDonald as *the eternal victim*, Gerard Horan and Des McAleer as various Irish vagrants, Joy Richardson (the tart) and Pearce Quigley as the bespectacled innocent. Julian McGowan's in-the-round design is beautifully lit by Kevin Sleep; and for all its elusiveness the play has a naggingly haunting quality.

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Texas back in the saddle

ONE OF THE reasons why the Democratic Party has lost four of the last five US presidential elections is that it has been unable to put together a ticket with genuine regional appeal. Too often it has seemed the party of the old industrial heartland and its special interest groups, including organised labour, whose views were locked in a time warp dating back to the undeniably noble era of Franklin Delano Roosevelt. When the party did capture the White House in 1976, it was with Jimmy Carter, a candidate from outside its mainstream.

Only once in the last 30 years, in 1960, have the Democrats been able to field a "dream ticket," one which combined a charismatic north-eastern liberal, John Kennedy, with a wily, experienced Washington insider, the Texan, Lyndon Johnson. That election was in many respects like the one now underway. A popular ageing Republican President was retiring, the mood of the country and the balance of power inside it was *shifting*, and neither party could command an automatic lien on public support.

A kind of veto

This historical comparison must have weighed on the mind of Michael Dukakis this year as he contemplated choosing a running mate. He was not starved for choice. Most of those he had defeated en route to the nomination had claims to be the vice presidential candidate. His most enduring opponent, the Reverend Jesse Jackson, while perhaps never really expecting to be selected, sought to exercise a kind of veto. Others who had not run figured in the calculations and finally one of them, Senator Lloyd Bentsen, has received the nod. Massachusetts and Texas are, therefore, in the saddle again.

Mr Bentsen brings indisputable *qualifications, if no fire,* to the ticket. Eighteen years a Senator, and, never forget, the man who defeated George Bush to make it to the Upper Chamber, he has the Washington experience Mr Dukakis lacks. He may not be known for his views on foreign policy, but he pulls genuine *weight, as chairman of the* Senate Finance Committee, on both economic and trade policy, where, in the latter case, his inclinations are liberal but tempered by a strong sense of political realities. In the legislative sense, the comparisons with LBJ are very marked.

Only if Mr Dukakis is considered a Harvard radical does Mr Bentsen offer ideological counter-weight. Naturally enough for a Texan, he has close ties to the oil industry, long the bête noire of *progressive Democrats.* Like many southerners, he has supported aid to the contras in Nicaragua. When he ran for the nomination himself 12 years ago, he did so as an unabashed fiscal conservative, a fact which may reassure the middle class white voters who had been deserting the party in droves. Perhaps his reputation in Texas as a relative moderate on social issues will make him acceptable to Mr Jackson, but there are many conventional liberal Democrats who will be unenthusiastic about his selection.

No soul brother

But they should know by now that Mr Dukakis himself is hardly a soul brother, for all that he says the right things on some litmus tests, such as South Africa and central America. Indeed, one of the less kind, but more accurate, descriptions of the Dukakis campaign so far is that he appears to have been running not so much for the glittering prize that is the presidency but more for governor of all the 50 states. He has made much of his ability in Massachusetts to build alliances with disparate interest groups, most notably those representing business.

The real reason why the lot has fallen on Mr Bentsen is because of where he is from. Texas may be a law unto itself but it is the third largest state of the union, the Democrats must carry it, and the formidable Bentsen machine is likely to be more effective with him on the ticket. He may help too in Florida and elsewhere in the deep south. His mere presence alongside Mr Dukakis is explicitly designed to tie Vice President George Bush, a neo-Texan, down to a part of the country he thought he had in his pocket and to a state which once rejected him, at the hands of man called Bentsen.

The wrong road to arms cuts

IT IS NOT difficult to understand Mr Mikhail Gorbachev's impatience with the snail's pace at which the Vienna talks on conventional troop cuts are progressing. Some 18 months after they began, the Nato and Warsaw Pact nations, which have been meeting under the umbrella of the European Security Conference, are still deadlocked on the terms of reference for such negotiations. With the same energy which he has applied to chiding his own countrymen for delays in the implementation of economic reforms, Mr Gorbachev is now trying to spur the West to get down to brass tacks in the so-called "conventional stability" talks.

In the process, the Soviet leader has succeeded in putting Nato on the psychological defensive, much as he did during the negotiations between Moscow and Washington on the elimination of medium-range ground-based nuclear missiles. Dramatic offers of mutual troop and aircraft cuts and proposals for a pan-European summit, of the kind Mr Gorbachev made in the Polish parliament on Monday, have an immediate appeal to public opinion in both East and West. They are particularly seductive at a time when Mr Gorbachev's efforts to liberalise Soviet society and improve East-West relations are no longer seen as pure propaganda exercises, but are beginning to be taken seriously in the West.

Need for vigilance

Yet the need to remain vigilant in a more relaxed international climate is perhaps greater than at the height of a cold war. At a time of détente, there is a natural temptation to be less suspicious of Soviet proposals. However, these should continue to be carefully analysed and judged according to criteria which remain as valid today as they were throughout the years of East-West tension. Are Mr Gorbachev's latest proposals made in Warsaw realistic and would they enhance the security of the West?

The answer on both counts must be negative. The suggested pan-European summit conference, grouping the Nato, Warsaw Pact and non-aligned nations, so as to give a boost to the Vienna talks, is unacceptable to the West because it would presumably exclude the Western Alliance's most important member, the US, as well as Canada. The proposal *to withdraw Soviet fighter air*craft from Eastern Europe if US nuclear-capable F-16s are not re-deployed from Spain to Italy, has been made outside the context of the overall military picture.

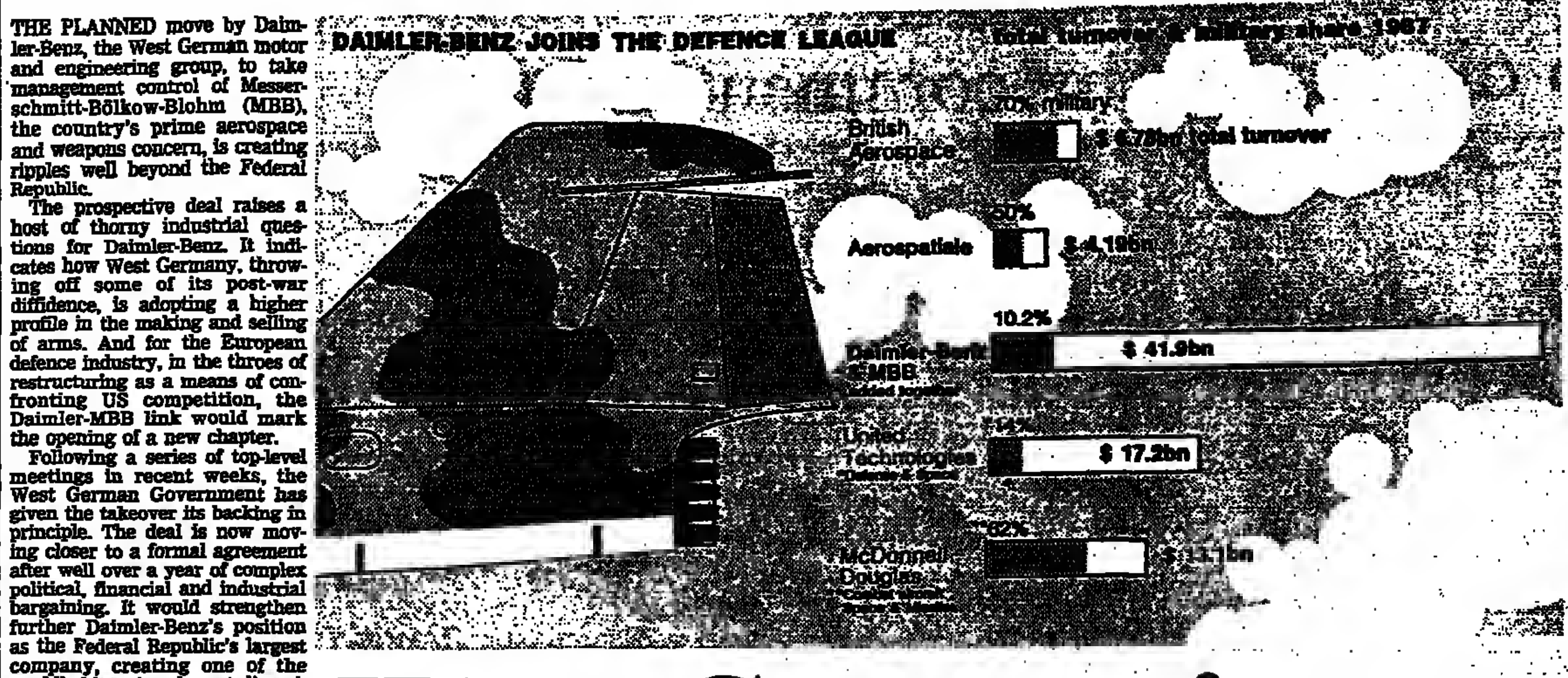
As Mr Manfred Woerner, the new Nato Secretary-General, has emphasised, the central problem is to achieve a stable and secure balance of conventional forces at lower levels in Europe, and that is only possible by tackling "the massive forward deployment of Soviet ground forces." To focus on aircraft at this stage of the game, without taking into account the Soviet superiority in tanks and men, would *certainly* be a mistake from the West's point of view. In the circumstances, the statement by Mr Ciriaco De Mita, the Italian Prime Minister, welcoming the principle of mutual aircraft withdrawals, was premature, to say the least. It cannot but give Mr Gorbachev the impression that he can *drive* a wedge between some of the alliance's European members and the US.

Discord and delay

Such tactics, it should be said, are not necessarily in Mr Gorbachev's own interests. The more dissent he tries to sow in Nato's ranks, the longer it will take the Western allies to adopt a common position, and the longer the delay before joint terms of reference for conventional arms negotiations are agreed with the Warsaw Pact countries.

If Mr Gorbachev wants to speed things up in Vienna — and no one in the West denies that this is a desirable goal — he would stand a better chance of success by making realistic proposals in the conference framework provided for that purpose. Some of the ideas previously put forward by the Soviet leader, such as a full exchange of military data leading to a reduction of asymmetries in the forces of each side, have met with a cautiously favourable response in the West. It would be more advisable for Mr Gorbachev to build on this foundation than to *indulge in spectacular* megaphone diplomacy, with little prospect of practical results at the end of the road.

David Marsh examines Daimler-Benz's move to take control of MBB



West Germany's new military giant

THE PLANNED move by Daimler-Benz, the West German motor and engineering group, to take management control of Messerschmitt-Bölkow-Blohm (MBB), the country's prime aerospace and weapons concern, is creating ripples well beyond the Federal Republic.

The prospective deal raises a host of thorny industrial questions for Daimler-Benz. It indicates how West Germany, throwing off some of its post-war diffidence, is adopting a higher profile in the making and selling of arms. And for the European defence industry, in the throes of restructuring as a means of confronting US competition, the Daimler-MBB link would mark the opening of a new chapter.

Following a series of top-level meetings in recent weeks, the West German Government has given the takeover its backing in principle. The deal is now moving closer to a formal agreement after well over a year of complex political, financial and industrial bargaining. It would strengthen further Daimler-Benz's position as the Federal Republic's largest company, creating one of the *world's biggest and most diversified* engineering, aerospace and defence technology conglomerates.

With overall turnover of around DM 75 bn (£24bn), the planned Daimler-MBB group would be well over twice the size of United Technologies, ranked as the largest US aerospace concern ahead of both Boeing and McDonnell Douglas. But it would still have much less than half the turnover of General Motors, which has made the largest leap to date by a motor company into the aerospace sector by acquiring Hughes Aircraft.

There are still hurdles in the way of a final accord. These centre on the insistence of Mr Edzard Reuter, the Daimler chairman, that the Federal Government should maintain prime responsibility for risks stemming from the heavily subsidised European Airbus project, in which MBB has a *37.9 per cent stake.*

In particular, the details of government financing guarantees to protect Daimler against exchange rate-related losses on the Airbus during the 1990s still have to be hammered out. But assuming the obstacles are overcome, the takeover will turn the merged company *into the most powerful German* armaments group since the Third Reich.

Although the timetable will depend on further talks during the summer between the Finance and Economics Ministries in Bonn and the Bavarian state government, which owns an important minority stake in MBB, the deal could be stitched together by September or October. Daimler would then take a 30 per cent stake in MBB through a capital increase next year.

The Daimler-MBB link would create a group stretched across all sectors of the defence industry, from tanks, trucks and small naval ships to radar, missiles, aero-engines, helicopters and fighter and transport aircraft. As well as taking over management responsibility for West Germany's stake in the four-nation Airbus Industrie consortium, the Daimler group would also centralise the country's industrial efforts in the space and satellite fields.

Daimler-Benz became a force in defence technology with the acquisition in 1985 of majority stakes in the AEG electricals group (which has important business in radar, communications and military electronics) and the Dornier aerospace company, as well as *100 per cent of* the aero-engine maker Motoren-und Turbinen-Union (MTU). The takeover of management responsibility of MBB, bringing in, too, its controlling stake in West Germany's tank manufacturer Krauss-Maffei, would roughly double the Daimler-Benz group's *military turnover from DM 3.8bn* last year to between DM 7.5bn and DM 8bn.

This would make up only slightly more than 10 per cent of Daimler group turnover which is still heavily dominated by cars and trucks. But the proposed concentration has attracted a tide of domestic criticism — above all because the group would receive close to 40 per cent of the Federal Defence Ministry's DM 12bn annual spending on arms procurement.

The Federal Cartel Office, which will have to vet the takeover, has already indicated its distaste. A top MBB executive, admits, "This is no ordinary takeover. It is a massive exercise in the use of capital. We will have a critical discussion for weeks and months." But even if it rejects the Daimler move, the cartel office is likely to be overruled by Mr Martin Bangemann, the Economics Minister, who has emerged as a strong supporter of the accord in spite of the need to hold out further budgetary aid for Airbus to tempt Daimler on board.

Bonn's arguments in favour of the link underline how the affair cannot be looked at solely from a national standpoint. The West German government has been trying for several years to bring in a strong industrial partner for MBB. The aerospace company is itself the product of a series of mergers over the decades, but is still not large enough to play a full international role.

After losses of DM 104m in 1986, it edged back into the black last year on turnover of DM 6.2bn. MBB has been battling for years with inadequate capital backing and indifferent management. At present its majority owners are the states of Bavaria, Hamburg and Bremen.

Acquisition of a controlling stake in MBB would round off Mr Reuter's drive to turn Daimler-Benz into a fully fledged technology concern. But it would also confront the group with huge problems of management and rationalisation at a time when it is still struggling to make a success of the AEG, Dornier and MTU purchases. In view of *Daimler-Benz's present bitter dispute* over management and financial issues with the minority family shareholders in Dornier, bringing together MBB and Dornier would be particularly difficult.

Daimler-Benz would become the most powerful German armaments group since the Third Reich

The risks are put most clearly by Mr François Heisbourg, the *former French Defence Ministry* official and executive of the Thomson defence electronics group, who is now director of the London International Institute for Strategic Studies (IISS). "For the first time in Europe we will see a defence procurement conglomerate. It is impossible to integrate these *functions* properly," he says. "It will be basically unmanageable."

Mr Heisbourg thinks the deal will, however, allow Daimler-Benz to "mobilise phenomenal sums for research and development" by siphoning off revenues from the cash-rich parts of the group. Bringing in Daimler's civilian fields would also help capacity problems at Krauss-Maffei, which is running into difficulties as a result of fading orders for the Leopard 2 tank.

Another sceptical reaction comes from Mr Alexander Gerybadze, aerospace analyst at Arthur D. Little, the US consulting firm. He says experience shows that bringing together military and civilian technologies can produce financial benefits — but very little of the much-vaunted industrial "synergy."

Mr Lawrence Freedman, Professor of War Studies at King's College London, notes: "There was a time when Germany thought it improper to have a defence industry. That time is now past." But he says that one disadvantage of the new group could be its sheer size.

In spite of these doubts, the pooling in a single group of West German expertise in aerospace and military electronics would unquestionably strengthen the country's hand in international collaboration, increasingly is the bedrock of the aerospace industry.

British Aerospace and Aerospatiale, the leading aerospace companies in Britain and France respectively, which partner MBB in a number of European aerospace projects, both back the proposed link-up. Sir Raymond Lygo, chief executive of BAe, which has nearly doubled in turnover during the last five years and is now seeking to grow further by swallowing the Rover motor group, says he gives "the thumbs up" to a Daimler-MBB link. "I would welcome anything which would strengthen MBB as a partner." BAe, which last year acquired the UK Royal Ordnance munitions company and has also been expanding fast in defence electronics, collaborates with MBB — like Aerospatiale — both on the Airbus and in space and missiles. BAe, MBB and Aeritalia of Italy build the Tornado fighter bomber. They will be working together on the European Fighter Aircraft following the formal go-ahead given to the project by Britain, West Germany, Italy and Spain in May.

As a result of these military links, Britain's £10bn arms deal with Saudi Arabia unveiled at the weekend, which includes delivery of additional Tornado aircraft, will deliver a large slice of revenue to MBB as well as to BAe. But mindful that Daimler-MBB will be a competitor as well as a partner, Sir Raymond sounds a warning that Bonn's negotiations with Daimler-Benz over additional Airbus guarantees could cause "distortions in the market place."

Sir Raymond's comment is a little ironic in the light of the European Commission's current scrutiny of the financial terms under which the British Government is allowing BAe to buy Rover. In view of the competition implications of Bonn's offer to Daimler of additional Airbus aid, the conditions of any eventual Daimler-MBB accord this autumn will also come under careful examination from Brussels.

Like Sir Raymond, Mr Henri Martre, the chairman of state-owned Aerospatiale, is in favour of the the proposed West German restructuring. He says it is "an excellent thing" which will give the Daimler-MBB group "a good dimension" on an international scale.

Aerospatiale and MBB are now starting development on a new Franco-German anti-tank helicopter. This is a linchpin of military co-operation between the two countries and Mr Martre has high hopes of eventually attracting Britain and Italy to join in. Aerospatiale, which owns 10 per cent of MBB, will maintain this participation by taking part in the planned MBB capital increase, Mr Martre says.

In military business, Aerospatiale now looks likely to be out-weighed by both the prospective German group and by BAe, which, in pure defence sales, will remain slightly more important than Daimler-MBB. About 70 per cent of BAe's £4.1bn turnover last year — or roughly DM 8bn — against the German group's prospective DM 8bn — was in the military field. By contrast, about 50 per cent (roughly DM 4bn) of Aerospatiale's FFr 25bn turnover is defence-related. Some observers believe that the Daimler-MBB link could eventually spur moves towards a merger between Aerospatiale and Dassault, the French military aircraft company, or for a rationalisation of space activities at present carried out by Aerospatiale and Matra, the other French aerospace group.

For the moment, however, the main factor in the new European defence industry equation is likely to be the relationship between Daimler-MBB and the West German Defence Ministry in Bonn.

Because the German defence industry is less developed than in either Britain or France, Daimler-Benz's likely future share of national arms procurement, at near 40 per cent, is much higher than for companies in the other two countries. BAe's share of the UK Defence Ministry's equipment purchases is about 30 per cent. In France, Aerospatiale, Thomson and Dassault each have shares of about 14 to 15 per cent of non-nuclear defence equipment spending.

The Defence Ministry in Bonn, trying desperately to get more value for money out of its arms budget which will fall slightly next year, supports the proposed takeover. "Daimler-Benz would bring entrepreneurial expertise and management quality into a company (MBB) where cost consciousness is a foreign word," says one Defence Ministry official.

But the Ministry is laying down as an essential condition that more outside bidders are brought in for national arms procurement as part of efforts to integrate the European defence market. A Daimler-MBB link will end national competition in a number of areas ranging from mine-hunters to electronics systems where, up to now, two German alternatives have been on offer. Although the ministry is heavily committed to international collaboration, around 85 per cent of Bonn's procurement orders are currently placed through West German companies.

So the Defence Ministry is pressing hard within the Government for a common arms market to be given the same political priority as the EC's overall 1992 programme for a unified market for civil goods. Mr Rupert Scholz, the new Defence Minister, is not the only observer who wants to ensure that Daimler will not misuse its new military power.

Labour has a new Lord

■ The British Labour Party has found a rather distinguished convert in its time of troubles. Lord Grenfell has left the Social Democrats and taken to the Labour benches instead.

He did it very quietly. This week was the first time he had been in London since the general election last year, and therefore the first opportunity to make his oath of allegiance to the new Parliament.

When he inherited the title in 1976 he sat as a cross bencher or independent. He switched to the Social Democrats when the party was formed in 1981. But he didn't like the merger between the Liberals and the larger part of the Social Democrats after the 1987 election, and didn't think much of David Owen's rump SDP either. So he says that his only choice was to join the Labour Party.

He contacted a few Labour peers by telephone, notably Lord Ponsonby, their Chief Whip. He also spoke to John Smith, the Shadow Chancellor.

The message was this: Grenfell is the only international civil servant anyone can think of who sits in a national legislature. He has been Senior Adviser at the World Bank since 1983. When he made his maiden speech in the Lords on economic conditions in Southern Africa in 1984, he had to ask his employers for special permission. They agreed, provided he did not claim his attendance fee, did not vote and did not do or say anything overtly party political.

Those conditions still apply and he has no intention of making another speech in the near future. In two years' time, however, he will have been at the World Bank for about a quarter of a century and may be thinking about retiring and a new life in London.

Grenfell is now 53. He could be home well before the next general election. He has let it be known that he might be available to help if the Labour Party needs someone with a knowledge of *international economic affairs.*

OBSERVER

Football reaction

■ The opposition to the formation of an English soccer superleague strikes me as the most pernicious form of British conservative puritanical sentimentality.

One newspaper which ought to know better actually wrote yesterday: "The English game is about 92 clubs, not 10 or 13. It is about 1,200 fans on a charmless terrace on a cold afternoon with only a cup of Bovril for comfort."

In fact, the English game is about hundreds, even thousands of clubs. But nobody needs 92 of them in four national leagues, travelling about the country, most of them nearly bankrupt and likely to remain so. Preservation of the existing system would be like having kept the 1947 rail *network intact*, regardless of the losses and changes in demand.

The only condition that should be attached is one that the superleague would no doubt accept in its own interests: namely that there should be provision for promotion and relegation.

It is said that it is all happening too suddenly. That reminds one of the old lady who said that she would not mind switching to driving on the right hand side of the road "provided the measure was introduced gradually".

"I was rather hoping to be canvassed by Cynthia Payne herself."

CTCs mount up

■ The target of announcing 15 City Technology Colleges by the end of this year is now likely to be met and may even be slightly exceeded.

Cyril Taylor, the chairman of the CTC Trust and also special *adviser on the subject* to Kenneth Baker, the Education Secretary, says that advertisments will appear shortly for project directors on a salary of up to £50,000 a year. That is because some of the would-be sponsors want to be sure that sites are properly developed. They will be offering two year contracts to people with experience of management and of the property and construction industry, perhaps those close to retirement.

The problem of matching sponsors to sites has proved one of the most difficult. Taylor says that there are now 16 confirmed sponsors or groups of sponsors, of whom eight have made public announcements. There are six confirmed sites, three of them in the South East and the others in Nottingham, Solihull and Middlesborough.

A series of further announcements is expected in the next few weeks. Tyneside — one of the gaps so far — should be covered, but Merseyside, one of the areas of greatest need, is still doubtful. There is an (unnamed) sponsor, but not yet an agreed site.

At the end of the day, it is likely to be the service industries and the new entrepreneurs like Hanson who have contributed most. But the count has yet to come.

Money in mugs

■ The National Health Service is making money out of mugs. Hugh Padley, the managing director of Berkshire China in the Potteries, says that when he first approached the Service about doing something to mark its 40th anniversary, the response was that there was no money. Then he told them how.

Berkshire China makes the mugs — or rather bone china beakers — sells them to the NHS for just under £1 a piece; they are then sold on at a profit either to hospitals or to patients. There is even talk of a black market as the mugs change hands.

Padley says that he has taken orders for nearly 10,000 so far, *about half of them in the last* week. He expects to sell up to 40,000 before the year is out. The mug displays NHS in red letters and a temperature chart in blue running from 48 to 88. The cost for home delivery is £2.70.

Berkshire China was founded 18 months ago to specialise in *bone china with a message. It* has produced a dinner service for Jaguar, promotional mugs for Marks and Spencer Financial Services and for Pan Am.

The really big mugs' competition, however, is still to come. It is to produce something to commemorate 10 years of Margaret Thatcher's *premiership* in May next year. Conservative Central Office has been inundated with applications. It has told candidates, including Berkshire China, to apply again in January.

The word is that the Prime Minister wants to take her tenth anniversary very quietly, though it is added that, of course, the media may not let her. Conservative constituency parties have long been competing to have her address them on the great day.

Overheated

■ Heard in a Birmingham factory: "Business is certainly picking up — we're back to being two months behind with our orders."

Andrew Gowers, recently in Tehran, reports on the gloomy outlook confronting Iran

Cracks in the Ayatollah's edifice

AS THE 10th anniversary of the fall of the Shah approaches, Iran is in a state of greater political uncertainty than at any time since the early days of the revolution.

Its people are exhausted and demoralised after nearly eight years of a war with neighbouring Iraq which has brought no tangible gains; they are fed up with their country's international isolation; they have no idea what the future holds, given a widespread conviction that Ayatollah Ruhollah Khomeini, the 86-year-old founder of the Islamic Republic, does not have long to live.

Even last week's Airbus disaster in the Gulf has failed to summon up more than an echo of the old revolutionary fervour. In a low-key funeral oration for some of the victims last Thursday, President Ali Khamenei merely characterised the shooting down of the Iranian airliner by a US warship as part of a general American effort to "make us tired". Iran's War Support Council admitted two weeks ago: "There is no doubt that this is an extremely sensitive phase for the revolution."

The most obvious source of listlessness is a recent string of military reverses in which Iranian forces have been forced to give up all the strategic gains they had made in southern Iraq at the cost of hundreds of thousands of lives over the last six years. Morale in Tehran was also knocked by the "war of the cities" in February and March, which brought the conflict to the capital for the first time.

But the malaise goes much deeper, reflecting a spreading realisation that the war cannot be won in the foreseeable future, and that Iran faces a host of other intractable difficulties, especially afflicting the economy.

Both in pursuing the war and in managing the economy, Iran's room for manoeuvre appears to be shrinking. Sooner rather than later, say some knowledgeable diplomats and educated Iranians, the regime will be confronted with an unpleasant choice: between going all out against the odds to win the war and working to save the revolution from collapsing under the weight of its own political, economic and social contradictions. It is a distinction that will not be at all easy to make, for the Tehran leadership has tied the fate of its revolution to the course of what it calls "the imposed war" ever since the conflict began.

Parliament speaker Hashemi Rafsanjani: likely to be the leading power-broker in post-Khomeini Iran

"If they appear to be losing the war, it could eventually become a question of survival for the revolution as well," an Iranian businessman said.

The military options have all but dried up. The leadership has responded to the recent setbacks by issuing new calls to arms, but volunteers have not come forward in anything like the number they used to. Western diplomats in Tehran estimate that the *basij* or Mobilisation Army, the volunteer force which used to participate in notorious human wave attacks, is one third smaller than it was a couple of years ago.

Considerable scepticism also surrounds the attempt by Hojatoleslam Ali Akbar Hashemi Rafsanjani, the parliament speaker who was recently appointed acting military commander-in-chief, to galvanise the war effort by securing greater co-ordination between the different branches of the armed forces. Military officers believe that inefficiency caused by divisions between the regular army and the Revolutionary Guards can only be eliminated by a full-scale merger, but that vested interests make this a near political impossibility.

The regime is scarcely in a stronger position to sue for peace. Although it has been making genuine overtures aimed at a rapprochement with the West, and seems to have redoubled its efforts to woo international opinion since the Airbus disaster, nobody in Tehran believes this means that Iran is preparing to abandon its war objectives.

On the contrary, Iran will be able to keep its war effort alive in some form for the foreseeable future. But the regime's loss of the initiative means that ordinary Iranians are bound to focus to a greater extent on what is happening at home, especially on the exceptionally gloomy economic outlook.

Iran's oil revenues, which provide more than 90 per cent of total foreign exchange earnings, are languishing in today's soggy world market. Although Iran is pumping an average of 1.7m barrels a day in recent months, current prices are well below budget expectations. Perhaps as much as 70 per cent of its exports are tied up in barter deals or given away to friendly Syria. Destruction of key refineries by Iraq has forced Iran to export crude for processing abroad and re-importation — a costly business.

The trade position is not improved by the fact that while Iran's exports are denominated in declining dollars, its non-military imports — from West Germany, Japan, Britain and Italy in order of importance — are largely priced in other currencies. Efforts to boost non-oil exports such as carpets and pistachio nuts are likely to remain of marginal importance.

The net result is a severe and worsening shortage of foreign exchange which is affecting the war effort and the domestic economy alike. Iran's suppliers are now being asked to accept payment delays of 360 days, and in some cases two years. A country which prided itself on having paid off all the Shah's debts as a symbol of its independence has recently built up short-term trade debts of anything up to $5bn — probably larger than its current foreign exchange reserves.

The lack of foreign exchange has created a roaring black market. The gap between the official and free market rates of the rial has widened to a differential of one to 15. Prices of all but the subsidised and rationed staple commodities have moved up to reflect the free market rate of the dollar. Annual inflation is now almost certainly well above 50 per cent.

Iran's resourceful "bazaaris" keep their shelves stocked by making regular sorties to Dubai or Turkey, but the Government is trying to control imports and restrict access to foreign exchange. One pair of tyres — one of a long list of items in short supply — fetches 400,000 rials, 10 times the average monthly salary of a middle-level public employee.

Shortage of funds and the insatiable appetite of an essentially unproductive war machine are also having an increasingly serious effect on investment, both in new projects and in maintaining the existing infrastructure. Iran's two Industry Ministers have said their ministries have received only one tenth of the capital they needed in the past year. The industrial plants built up under the Shah are ageing and crying out for spare parts and raw materials. Estimates of the jobless rate range upwards from 20 per cent of the workforce, but there is also a huge amount of disguised unemployment.

Capping it all is debilitating uncertainty over such basic issues as the role of the private sector and the state, ownership of property, and workers' and employers' rights. These remain the subject of fierce debate between radical politicians and conservative religious leaders. Until they are decisively resolved, the productive part of the economy will continue its secular decline. "The questions of who owns, who produces and who subsidises to what extent — all this needs to be clarified before people will invest," said a Western economist in Tehran.

One result of uncertainty over land ownership, a key area of controversy since the revolution's early years, is a continuing flight from the countryside to the cities, where a living can be scraped on subsidised bread and on trading ration coupons; the population of Tehran may now be as large as 10m, one fifth of Iran's total. Agriculture continues to decline, and a country which was once almost self-sufficient in food now spends $2bn a year importing wheat and other commodities.

That is a deeply worrying figure for the Government, since Iran's population growth rate is 3.4 per cent a year, one of the highest in the world. Barring an unforeseen upturn in the world oil market, the point is not that far off when the authorities will have difficulty meeting the food bill as well as keeping the war machine lubricated. Bread price rises have caused serious unrest in Iran before.

This goes to the heart of the predicament now facing Iran's revolution. For while the Islamic Republic may have given Iranians a greater sense of self-reliance, it has done very little to tackle the country's deep-seated social problems. The gap between rich and poor has continued to widen. Labour laws and distribution of resources are little changed from the old days.

As every Iranian knows, the economic trouble is inextricably linked with the war. But while the people could accept a certain amount of privation when they believed they were moving inexorably towards victory over Iraq, it is not at all clear that they will prove so tolerant if the current losing streak continues.

What is more, these structural problems are likely to endure long after the war fizzles out. As they set about the eventual task of reconstruction, probably without the unifying force of Ayatollah Khomeini, Iran's leaders will have their work cut out maintaining the political edifice he built.

Investigating disasters

Find the cause before apportioning blame

By Ralph King

MRS Thatcher has made the right decision in setting up a technical inquiry by the Department of Energy into the Piper oil platform disaster. This will precede the public inquiry to be chaired by a senior Scottish judge. The setting up of separate and consecutive inquiries to deal with technical causes and liability following an industrial disaster was proposed some years ago by Dr J.C. Mecklenburgh of Nottingham University.

The technical inquiry team faces a daunting task, with much physical evidence destroyed or lying on the sea-bed. Let us hope that it is given adequate time for evidence to be recovered, tests carried out and theories formulated and impartially examined, so that it can establish beyond reasonable doubt the causes of the disaster.

It should not be rushed into reaching hasty and premature *conclusions by the imminence of* the public inquiry. Members of the team should not be subject to any pressure to follow a particular line or reach a particular conclusion. Its findings should be so secure that they are not upset by the public inquiry. They should be published in full before the public inquiry starts, and not concealed on the grounds of national security or trade secrets. The opportunity should be provided for its findings to be critically examined and reviewed in the light of later knowledge.

Major accidents seldom come out of the blue. The conditions necessary for them have usually built up from quite simple causes over an "incubation period" and could usually have been corrected if certain misconceptions had not become deep-rooted in the organisations concerned. There have usually been precursors or earlier incidents with less serious consequences caused by one or more of these conditions. After a previous incident the symptoms may have been treated without diagnosing the cause. The following things need to be carefully studied:

● The original design and the assumptions underlying it;

● The subsequent records of construction, inspection, operation and maintenance;

● Earlier incidents (including near-misses) which may not have been fully explained but which may have stemmed from common causes.

Such studies are usually more revealing than the (usually conflicting) evidence of eye-witnesses of sudden and unexpected events.

There are two inquiry precedents which may have influenced Mrs Thatcher in reaching her decision: the sinking of the drilling rig Sea Gem in December 1965; and the explosion at the Flixborough chemical plant in June 1974.

The Sea Gem sank with the loss of 13 lives on 27 December 1965. The public inquiry did not sit until a year later during which time the parties had made their own investigations. The delay was partly caused by the need to recover wreckage from the sea-bed.

The court of three had a QC as president assisted by a leading metallurgist and marine engineer. *The tribunal sat for 29 days* with no statutory authority or power to compel the attendance

The technical team should not be rushed into hasty conclusions

of witnesses. Although its terms of reference were to inquire into the physical causes of the accident and not to assess or allocate blame, all five parties to the inquiry — the Ministry of Power, the owners, builders and others who had earlier converted what was originally a steel pontoon into a drilling platform — were represented by QCs. The report is fairly brief, does not go into much technical detail and claims no certainty in its conclusions.

The explosion at Flixborough on June 1 1976 which killed 28 workers was followed by a public inquiry whose formal sittings started ten weeks after the disaster and lasted for 70 days. The court of four was headed by a QC, and all parties had to be represented by counsel. Although a preliminary technical investigation had been made by the Factory Inspectorate, its conclusions were not enough to satisfy everyone involved. The court then had the twin objectives of discovering the cause of the disaster and pointing out its lessons, including those of liability.

The report confirmed a cause of the disaster which was obvious from the start but left much unexplained. It spent much of its time hearing and laboriously demolishing a theory advanced on behalf of the owners of the plant which would have blamed the disaster on an act of God.

Whilst the inquiry was sitting, a letter from Professor A.R. Ubbelohde, a leading chemical engineer, to the Financial Times (December 4 1974) included the following comments:

"Legal problems of allocating responsibility often overshadow scientific problems of how such accidents occur . . . This concern with liability can distort and obscure basic scientific questions of how and why accidents occur . . . Scientists would stress that their inquiries must be concluded without any emotional or other pressures on them . . . British practice seems no better than elsewhere. It can even be termed wasteful, antiquarian and lopsided, since full detailed scientific study often cannot take place until the scent is cold."

After the inquiry report was published, one of the team who had been engaged to investigate the cause of the disaster on behalf of the owners (who did not care for his ideas) put forward and published a theory which supplied a "missing link" in the report's explanation*. This has since been widely accepted and had it emerged earlier it might have halved the length of the inquiry.

If the technical inquiry into Piper does its work properly and establishes the causation beyond reasonable doubt, the public inquiry will have little to do other than apportion liability for the disaster, based on the technical findings of the first inquiry. This will be a far cry from previous public disaster inquiries. Will the lawyers be satisfied with this restricted role?

The author is a consultant chemical engineer, who specialises in process design and industrial safety.

**R.W. King, "Flixborough — the role of water re-examined", Process Engineering, Morgan Grampian, London, p69-73, September 1975*

Letters to the Editor

Commercial reality at Lloyd's

From Mr P.N. Archard.

Sir, The letter from Mr Keith Whitten (July 5) regarding Lloyd's charges appears to have completely missed the point.

A Lloyd's Name is in fact, carrying on business in his own right although employing an agent to run that business. Therefore to suggest that the expenses of running that business (the syndicate expenses) are a payment to the agent is totally wrong. The correct method of looking at the issue is to take the profits made by the underwriting agent before his own expenses — probably adding back the salary paid to the active underwriter, who in many instances will also be the proprietor of the agency — and to compare this with the profit before personal expenses made by the Name.

In normal years, this will show a profit split of 75/25 in favour of the Name. Apart from the obvious problem of unlimited liability, the corollary is a person wishing to set up a business who is prepared to put in all the work necessary to run it, but lacking the capital. He therefore approaches a third party and suggests they form an unlimited partnership in which the profits will be shared, for example 75/25 in favour of the working partner, with the sleeping partner also receiving interest on his money. This I would consider to be an acceptable business deal. Given, however, the undoubted disadvantage of Lloyd's unlimited liability, we turn this percentage round. Surely this is not unreasonable?

P.N. Archard,
Lychgate House, Church Street, Seal, Kent

From Mr Bernard Waisman.

Sir, I read your article on the declining number of members of Lloyd's with interest (June 30). As a member of Lloyd's, I am viewing the situation with some trepidation. Having spoken to others in similar circumstances, I am aware that there are many members who are contemplating resignation.

The main cause of concern would appear to be a perception that there is a certain lack of commercial reality among the full-time underwriters in the Lloyd's market. In the last year or two there has been over-capacity in the market and, therefore, a softening in rates and premiums achieved by the various syndicates. I believe that there is a definite risk reward ratio in insurance and there is no point in accepting risks if the right premium cannot be achieved.

Unfortunately the professional underwriters do not seem to see it this way. They seem to be chasing business rather than holding out for the correct premium. Despite a number of disasters over the last few years, the lesson does not appear to have been learnt: that is, that there is absolutely no point in accepting business at incorrect prices.

Until the market, and the professionals in the market, understand that it is better not to do any business than to write policies at rates that do not reflect the consequent risk, disasters will continue. Therefore, as long as over-capacity exists, there will be more resignations.

The whole system at Lloyd's is predicated on having widely spread risks and a lot of people to carry them. If the market continues to act in such an unbusinesslike fashion — and, it would appear, only to the benefit of the professionals within the market, there will be a continual decline among members. In due course this could erode the whole basis of the market, and the *raison d'être* of Lloyd's.

Bernard Waisman,
1 Great Cumberland Place, W1

Whatever happened to democracy?

From Mr A.S. Hutchings.

Sir, Joe Rogaly in his thought-provoking article "Whatever happened to citizens?" (July 8) refers to democratically elected governments. This I contend we do not have and is what might very well be at the root of some of our troubles. In each of the last two general elections, the Conservatives gained only 42 per cent of the vote but achieved massive majorities, making genuine parliamentary debate impossible and activating various frustrations.

A.S. Hutchings,
8 Hallett Road, Havant, Hants

It is time to clean up the City

From Mr I.A. Johnson.

Sir, The City of London is famous for its "invisibles", but some of its visibles are less attractive. The piles of rubbish in plastic bags and cartons that litter the footpaths of Leadenhall Street and Lime Street every morning create a visual effect reminiscent of a Third World slum.

Perhaps the authorities should also look into this aspect of "cleaning up the City."

I.A. Johnson,
Green Tiles, Mill Lane, Chalfont St Giles, Bucks

'Economic progress can be — and is being — achieved in Bahrain'

From The Ambassador of Bahrain.

Sir, The reports by your unnamed special correspondent give a very unbalanced picture of the current economic situation in Bahrain (FT, June 27 and July 6).

Of course, Bahrain has been affected by lower oil prices but in this respect it is little different from other oil-producing countries in the Gulf region or elsewhere. Moreover, there is no way in which Bahrain can avoid the side-effects of the regional conflict. However, despite these handicaps, economic progress can be — and is being — achieved. Between 1985 and 1987 real GDP was unchanged. This result reflected 5 per cent growth in the non-oil sector. Some modest growth is also expected this year. With regard to the employment situation, the Bahrain Government is tackling this by a *mixture of measures*. During the next two to three years, some $9bn will be spent on the expansion of the oil-refining, gas and aluminium industries. Furthermore, the Government's efforts to provide vocational training can hold comparison with those of any other country and these are combined with the encouragement of a realistic attitude towards employment.

The number of airlines that stop or call at an airport is not the only indicator of the importance of the country. As a matter of fact, the movement of aircraft and the number of passengers through Bahrain airport increased by 12 per cent during the first half of this year. The Government has also approved an expansion of the terminal building facilities costing $61m and work is already under way.

Turning to the banking sector, we would like to stress that the recent arrangements made between banks and certain members of the ruling family (mentioned in your reports) have been an entirely private matter and have nothing to do with the Government of Bahrain. Moreover, it must also be mentioned in this connection that funds provided by the Amir were made available from his private means as a gesture to help local banks overcome their difficulties with outstanding loans. Such arrangements were in line with existing agreements and were made to the banks voluntarily. They were no different from private banking arrangement which are often made elsewhere in the world.

Looking more widely at banking developments in Bahrain, the picture is somewhat different from that painted by your correspondent. It is true that a few banks have left Bahrain but others, notably investment banks, have recently established themselves. Banks have also been urged to make large provisions against foreign loans, particularly Latin American debt, but this phenomenon is in no way peculiar to Bahrain and the readiness of banks in Bahrain to grasp these nettles is a sign of realism and maturity. Actually, since the middle of 1987, offshore banking unit operations have grown and in the first quarter of this year total assets were 18 per cent higher than a year earlier.

Of course, not all banks have grown. Those which have developed appear to be banks which refuse to accept passively the picture of unrelieved gloom painted in reports like those you published on June 27 and July 6.

Your special correspondent also points out that Bahrain is the only country in the Gulf which has a working class. In a modern society where the level of education is gradually rising, this phenomenon is bound to emerge and we do not think that is something to be ashamed of. It is a sign of pragmatism.

Your correspondent appears ignorant of the special relationship that exists between the Bahrainis and their rulers, a relationship which emphasises the harmonious coexistence of different sectarian groups. Bahrainis are used to living together as one family. This is considered to be the fundamental basis for the stability and peace with the country enjoys despite all the political turmoil that has occurred in the Middle East over the past decade or so. The degree of openness and respect that Bahrainis have for each other is something to be proud of and is perhaps unique to Bahrain.

Your correspondent is more than welcome to meet and discuss whatever subjects he wishes either with Government officials or members of the private sector.

Salman Al Sabbagh,
98 Gloucester Road, SW7

FINANCIAL TIMES

Wednesday July 13 1988

Reagan orders expulsion of Nicaraguan diplomats

BY LIONEL BARBER IN WASHINGTON AND TIM COONE IN MANAGUA

PRESIDENT Ronald Reagan yesterday ordered the expulsion of Nicaragua's ambassador to Washington and seven other Nicaraguan diplomats, giving them 72 hours to leave the country.

The US action matched Nicaragua's expulsion of the US ambassador and seven American diplomats accused of inciting unrest in Managua. It left prospects for a negotiated peace settlement between the Sandinista Government and the US-backed Contra rebels clouded.

Mr Reagan's order falls short of a break in diplomatic relations between the US and Nicaragua, but the Administration is weighing other retaliatory measures, including a request to the US Congress for more aid to the Contras.

It is unclear, however, whether the Administration is willing to face a divisive fight for more Contra military aid in the last months of Mr Reagan's presidency. Conservative hard-liners concede they may not have enough votes on Capitol Hill, even after the current diplomatic fracas.

The State Department, invariably hawkish on Central America, has been hampered by the absence of its two top policy-makers. Mr George Shultz, Secretary of State, is in the middle of an 18-day Far East tour, and Mr Elliott Abrams, in charge of Latin American policy, was last night flying home after cutting short a trip to France.

The expulsion of the US Ambassador to Nicaragua, Mr Richard Melton, marked a sharp diplomatic escalation of the conflict between Washington and Managua which began soon after the Sandinistas seized power nine years ago.

Mr Shultz said in Manila that the expulsion of American diplomats was outrageous. "Here is a government which has agreed to move forward with democratic practices that has seen fit in the last couple of days to close La Prensa, to close Radio Catholica and to put tear gas into a meeting of people who are political opposition and then to expel some of our diplomats," Mr Shultz said.

In announcing the decision to expel the US ambassador on Monday evening, Mr Miguel D'Escoto, the Nicaraguan Foreign Minister, accused Mr Melton of "attempting to set up an internal front to overthrow the Government" and said that he had violated the Vienna Convention on diplomatic relations "which expressly prohibits any interference in the internal affairs of other states."

The expulsions were accompanied by a crackdown on the opposition press. The radio station Radio Catolica was shut down yesterday and the opposition newspaper La Prensa has been ordered to close for 15 days.

The measures followed several serious violations of a tenuous ceasefire in the interior of the country in the past few days by the US-backed Contras and a violent confrontation between police and demonstrators at an opposition rally in the provincial town of Nandaime on Sunday.

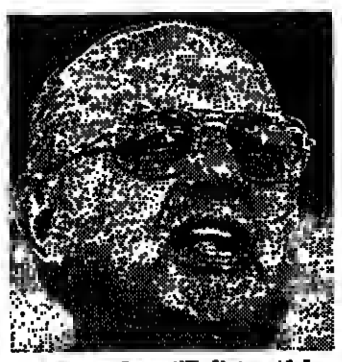
In a warning to opposition parties, who are proposing the formation of a "Government of National Salvation," President Daniel Ortega said on Monday "those that do not respect the laws and the basic concept of sovereignty and national interests will have to face the consequences."

The crackdown appears to be linked to a breakdown in the peace talks with the US-backed contras. The new restrictions are similar to those that were in force before the peace talks began. The Government seems to be signalling that it has reached its negotiating limit and that it is not prepared to tolerate any attempt to sidetrack the Esquipulas and Sapoa peace agreements.

US officials denied Sandinista claims that Mr Melton or other American diplomats were deliberately inciting civil unrest.

They said US policy was to test Nicaragua's compliance with the Central American peace plan put forward by President Oscar Arias of Costa Rica, which includes freedom of assembly

A pause for thought in Pretoria



P.W. Botha: still distrustful

Anthony Robinson looks at South Africa's changing perception of the Soviet Union

Mikhail Gorbachev: raising doubts

TWO YEARS ago President P. W. Botha was asked at a reception for foreign correspondents what he thought of Mr Gorbachev. He grimaced, brought his two hands to his ears and raised them to a point. Mr Gorbachev, the gesture said, was making asses of the western world but not, he implied, of wily Afrikaners who know a thing or two about the politics of guile and deception.

Now Pretoria is not sure what to think, partly because of recent events in the Kremlin and partly because of the bewildering twists and turns of the Angolan war and peace talks.

Soviet intervention to restrain initial Cuban and Angolan belligerence at the four-power talks in Cairo at the end of last month led the mass circulation Sunday Times to splash "Reds save Cairo talks" across its front page. Next day the commentary on state-controlled radio welcomed the intervention by Mr Vladilen Vasev, the Soviet equivalent to America's Mr Chester Crocker, and added this "emphasised once again the key background role played by the Soviet Union in the Angolan conflict and its ability either to expedite or destroy a settlement."

On the same day South African and Cuban-led forces clashed north of Angola's Calueque dam and Cuban-piloted MiG 23s underlined Pretoria's vulnerability to Soviet hardware by bombing the dam and killing 11 white "troopies." A subsequent commentary on South Africa's state-controlled radio said it was inconceivable that Moscow was "entirely opposed to Cuba's repeated acts of provocation" and raised fresh doubts about Mr Gorbachev's intentions.

Pretoria has been keenly aware *of Moscow's key role in southern* Africa ever since the Soviet sea and air-lift of Cuban forces to Angola in October/November 1975 shifted the balance of power in Angola towards the People's Movement for the Liberation of Angola (MPLA).

The presence of Cuban troops – now at least 40,000 strong, Soviet advisers and sophisticated *aircraft and equipment* introduced a potent new factor in the regional power equation. But long before then Soviet military and political support had existed for the African National Congress, the banned nationalist organisation and the South West Africa People's Organisation which is fighting for independence of Namibia, the territory controlled by Pretoria in defiance of UN resolutions.

Pretoria's home-grown ideologues convinced themselves that South Africa was the ultimate target of a Moscow-inspired "total onslaught" and drew up their own comprehensive counter plan. This has been the ideological justification for the state of emergency, the progressive militarisation of South African society and the erosion of civil rights.

Ironically, the consequence is that South Africa has come increasingly to resemble the sort of society which Mr Gorbachev and his men are trying to leave behind. It was a point acknowledged recently by a senior military intelligence officer during a briefing on the security situation: "When you study the enemy too hard the danger is that you can end up resembling him."

Over the last couple of years, however, both Moscow and Pretoria have been looking more carefully and objectively at each other. The old stereotypes are *starting to change as a result.* Pretoria's department of foreign affairs, for example, now has a special Soviet desk, headed by Mr Pieter Bezuidenhout, which keeps a close track of Eastern bloc developments. Another Afrikaner, Mr Philip Nel, head of the Soviet studies department of Stellenbosch University, recently visited Moscow and met senior Soviet academics and Africa specialists.

Foremost among these is Mr Boris Asoyan, a former academic-turned-diplomat who last year took over as chargé at the Soviet embassy in Lesotho. His criticism of old-style, pre-glasnost Soviet reporting on South Africa as "a caricature, not a living, multi-faceted, dynamic, extremely complex and confused reality," was quoted approvingly by Sir Geoffrey Howe, the British Foreign Secretary, as the preface to his own recent policy speech on South Africa.

Pretoria has also taken note of the paper presented by Mr Gleb Starushenko, deputy director of Moscow's Africa Institute at the second Soviet-African conference in 1986. This acknowledged white fears and suggested that the ANC "might work out comprehensive guarantees for the white population." He went on to suggest that as "both sides are distrustful and suspicious of one another the peaceful settlement of the conflict might be expedited by resorting to the institution of international guarantees."

Since then Pretoria has closely watched the unrolling of Moscow's new foreign policy and its search for recognition as part of the solution to regional problems. Pretoria has noted Soviet pressure on Vietnam to withdraw *50,000 troops from Cambodia* as part of its wider policy of rapprochement with China and is watching with fascination the Soviet withdrawal from Afghanistan.

There are still many potential pitfalls in the way of an agreed settlement to the Angolan civil war linked to the withdrawal of Cuban troops and independence for Namibia. But the apparent Soviet willingness to lean on Cuba in the way it has already leant on Vietnam, that other main leech on Soviet resources, coupled with the apparent Soviet willingness to leave its Afghan protégés with only limited protection, has impressed Pretoria.

More worrying is the evidence of close US-Soviet consultation over the Angolan negotiations and Soviet academic interest in at least some form of international guarantee for South Africa's own painfully slow progress towards power sharing.

Pretoria would be delighted to see Moscow lean on Swapo and the ANC to drop the armed struggle and enter political talks with more modest aims than transfer of power to the black majority.

Coleco cash shortage threatens liquidation

By James Buchan in New York

COLECO, the Connecticut company whose Cabbage Patch Kids were briefly the best-selling toys in history, yesterday filed for bankruptcy protection as it battled with other bankruptcy and collapsing sales of the pug-nosed rag dolls and a rebellion by the company's creditors.

The company, which has been all but shut down in the past three months by a crippling cash shortage, filed for protection under Chapter 11 of the US bankruptcy code in a bid to buy time from its creditors and raise some \$50m in working capital to get sales going again.

Coleco has been driven within sight of bankruptcy before by the wild caprice of American children, but it now faces the threat of "liquidation as a distinct possibility," according to Mr Sean McGowan, a toy industry expert at the New York brokerage of Balis & Zorn Gerard.

Stock in Coleco, which traded as high as \$65 in 1983 when just the rumour of Kids in stock brought parents stampeding to the store, was quoted at \$1⅝ yesterday morning, down \$⅝ on the day. The company's stock-market value has fallen from more than \$1bn in 1983 to \$27m yesterday morning.

Coleco said an investment banking firm would try to buy out current bank lenders and open the way for new lenders to meet their pledge of \$50m.

The company lost \$47.4m in the *first quarter as sales tumbled* 41 per cent to \$74m.

Coleco, which was founded in 1932 as a shoe-leather company and went into the ferociously unstable toy business in the mid-1960s, yesterday changed its senior management and hired a crisis-management company

THE LEX COLUMN

Calling Opec to heel

The oil market is right to fear the heavy flow of oil that has been pouring out of Saudi Arabia in the last week or so; it is also right to worry about the latest block-busting Saudi military order. But to argue that the Saudis are pumping more oil now in order to pay for those Tornados is plain silly. The truth is worse than that: each problem is separate, with overproduction today's concern and the military contract tomorrow's.

Saudi Arabia's barter arrangements have enabled it to cheat on its Opec quotas in the past; and as this is the largest deal so far, it is potentially the most damaging for the oil market. However, under the present regime the oil will probably be accounted for in a more orderly way – at least by comparison with the big military contract two years ago, when the whole quota system was in shreds anyway.

As far as present Saudi production goes, the apparent increase of 600,000 barrels a day over the last two weeks suggests an important reversal of policy. Having steadfastly observed its quota for the past year while other members blatantly disregarded theirs, Saudi Arabia seems set to teach them another lesson about the virtue of discipline. If this is the case, prices will probably slide further before the corrective reduction in output takes place. Yesterday's fall to \$14 merely returned prices to where they were before the disaster in the North Sea, suggesting that the implications of any change in policy have yet to sink in. Already, Opec seems to be pumping twice as much extra oil as that lost from North Sea production as a result of the explosion, so on supply grounds a lower price may be justified.

Even if the Saudi lesson is learnt, the effect may be more limited than before. Opec seems quietly to have abandoned its \$18 target, as it has failed to deliver either the expected increase in oil demand or the containment of non-Opec supply. This time \$15 may be nearer to reality.

Midland

The cynical response to Midland's brave talk about exploiting new opportunities in Latin America – the rationale behind yesterday's decision to bring all its problem debtors under one division – is that this is the sort of opportunity that Midland could do without. Despite the theoretical attractions of the various mix-and-match arrangements now available to deal with Third World debt, the market for debt-equity swaps and the like remains tiny; and one can be forgiven for hoping that it remains so, if the banks are not to be lumbered in the 1990s with non-performing investments to match their non-performing loans.

Midland's decision to appoint an industrial adviser to stop it swapping its debts for a dud salt mine or a bankrupt shoe factory must, then, be welcomed. And segregating problem debt business from the rest could have a positive impact on line managers, who have been spending too much time contemplating the insurmountable opportunities presented by the Third World and too little time enhancing the bank's core profitability. In the short term, of course, all the market cares about is the level of a bank's exposure to the difficult debtors and the size of provisions against it. But it is difficult to argue with the principle of a more coherent approach to the debt problem, even if the practical benefits may be slow to declare themselves.

British Steel

In these days of SIB rule books, Warburg Securities evidently feels unable to comment directly on the merits of British Steel as an investment because it is advising the Government on the sale. Yet the message in its first *detailed piece of research on the* subject comes through loud and clear: measured countless different ways, the performance of the company has been transformed over the past 10 years, and last year it made 24 times as much money as the next most profitable European producer. Warburg argues plausibly that there is more to go for in terms of efficiency, and finds good reasons to support its claim that the industry is a good deal less cyclical than it was.

While potential investors may be encouraged at this vision of British Steel's future, they might find one part of the argument surprising. It may well be true that British Steel's heavily loss-making days are over for good, but there is a touch of unreality about seeking to prove it by restating past losses based on 1988 levels of efficiency. If British Steel had produced a tonne of steel in five man hours rather than 15 in 1981, presumably everything else in the market – its competitors included – would have been different as well.

Brewing industry

The extension of the Monopolies Commission's inquiry into the brewing industry comes at a delicate stage for all parties. In scrutinising the link between manufacture and distribution, the MMC is driving a wedge between big brewers who favour change and small ones who are threatened by it. It is hardly surprising if the regional brewers have been slow to provide evidence to an investigation which they oppose; but the delay also gives breathing space to the authorities at a tricky time in the formulation of European competition policy.

The apparent paradox is that by giving freedom to the consumer, choice at the national level could be reduced – as in the US, where almost half the market has ended up in the hands of one producer. The present system, on the other hand, can mean restriction of choice locally, with consumers obliged to drink the local brew if the producer has stitched up the local licences. From a Brussels viewpoint, the paradox disappears; the UK is itself a region, and the tied system represents a restriction on competition which must give way to the unified market of 1992.

The only people likely to fret over the delay to the investigation are the big brewers, most of whom are already dividing their manufacturing and retailing operations on the grounds that vertical integration may not be the best way to run their business. Seen from that angle, the recent outperformance of brewing shares is logical enough. Monopolies are economically inefficient, and if nothing else, their dismantling provides splendid opportunities for picking winners.

Rebel Armenian enclave defies Moscow ruling

BY QUENTIN PEEL IN MOSCOW

THE ARMENIAN-populated enclave of Nagorno-Karabakh, in the Soviet republic of Azerbaijan, yesterday threw down a blatant challenge to the Kremlin by voting to secede and join the neighbouring republic of Armenia.

The dramatic decision by the regional council flies in the face of Moscow's insistence that any change in status must be approved by Azerbaijan itself. It seems certain to give a new twist to the nationalist passions which have precipitated massive demonstrations in the two republics, closed factories and shops throughout Armenia and Nagorno-Karabakh, and claimed at least 36 lives in race riots.

Reports from Stepanakert, the capital of the mountain enclave, said the regional council - the Soviet of people's deputies - had voted with only one abstention to "declare its secession from the Azerbaijan Soviet Socialist *Republic.*"

The council voted to change the name of the region to Artsakh, and become "an autonomous region of the neighbouring republic of Armenia."

The move seems certain to require a direct response from Moscow, which is something which the central government has avoided doing up till now, for fear of becoming embroiled in an effective stalemate between Armenia and Azerbaijan. A Soviet Government spokesman *insisted again only yesterday* that any change in status requires mutual consent of both republics under article 78 of the Soviet constitution.

It comes as strikes continued to paralyse economic activity in the enclave, although the Soviet press reported some return to work in *Armenia itself.*

Increasingly dramatic reports have percolated through to the country's national media, with the government newspaper Izvestia reporting yesterday on the presence of "unshaven young men" in Nagorno-Karabakh stating their readiness to die for their cause.

Tha newspaper claimed the men were present at every major rally and meeting, implying that they were indeed the ring-leaders behind the nationalist campaign.

Bentsen fits the Dukakis bill

Continued from Page 1

His campaign quickly fizzled out.

Today, however, after more than a decade of consolidating his political base, Senator Bentsen is recognised as the most powerful politician in his state. Texas' influence on American politics remains as potent as ever, even though its oil-based economy is going through a wrenching *structural and financial transition.*

There has been no question in the minds of Texan political analysts that his re-election campaign this year would be easy and that he would reassume chairmanship of the Senate's Finance Committee.

Indeed Republicans in Texas *have wondered whether it* would be wise to run a candidate against Mr Bentsen, arguing that to do so might only boost the Democratic turnout. This would work to the disadvantage of Vice-President George Bush running in the presidential election, without much *prospect of adding to the* ranks of Republican senators.

Yesterday the political calculus changed. Now tha challenge to Mr Bush in Texas and the south is more ominous.

There is, too, a subtle psychological dimension to the *Dukakis choice.* When Senator Bentsen was first elected to the Senate in 1970 the man he beat in tha state-wide race was George Bush.

The son of "Big Lloyd" Bentsen, a south Texas millionaire of Danish descent and a member of the conservative gentry *of the state*, Lloyd was elected to the House in 1948 at the age of 27 from a rural district in *South Texas having* returned home from the Second World War where he had flown bombers over Europe.

After three terms as a congressman, however, Mr Ben*tsen quit politics, went into* business, became an insurance and real estate millionaire. In 1970 he challenged the veteran liberal Democrat, Senator Ralph Yarborough, in the party's primary and went on to defeat Mr Bush in the general election.

If there is a *dominant theme* in Senator Bentsen's political career it has been a determination to stand up for American business, particularly the oil and gas business.

In tha past Senator Bentsen's pro-business stance has seen him backing repeated efforts to deregulate natural gas prices, seeking exemptions for small producers from the windfall oil industry profits tax and running his presidential campaign in 1976 on the tax-cutting platform which helped Ronald Reagan ride to victory in 1980. But for the past two years, at least, his main preoccupation – as far as economic policy is concerned – has been trade.

Although by instinct a conservative Democrat, as most Texas Democrats are, he is seen to have the patrician's *concern for the poor and a* pragmatist's instinct for recognising that, as a Democrat, he must pay attention to labour and social issues.

Senator Bentsen will bring geographic and political balance to the Democratic ticket. What he will not bring is *excitement.*

"Watching him campaign is like watching grass grow," is how one political consultant in Washington put it yesterday.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	20	82	Malta	C	29	84	Rhodes	S	27	81
Algiers	S	31	88	Edinburgh	F	17	63	Manchester	F	17	63	Rio de Jo	R	26	78
Amsterdam	S	18	64	Faro	S	31	88	Manila	C	33	91	Rome	F	34	93
Athens	F	34	93	Florence	S	30	86	Melbourne	C	13	55	Salzburg	F	21	70
Bahrain	F	37	99	Frankfurt	F	22	72	Mexico City	C	26	79	San Francisco	F	18	65
Bangkok	F	34	93	Funchal	S	25	77	Miami	C	31	87	Seoul	R	26	79
Barcelona	C	27	81	Geneva	F	21	70	Milan	S	29	84	Singapore	R	30	86
Beirut	F	30	86	Gibraltar	S	25	77	Montreal	C	27	78	Stockholm	C	25	77
Belfast	C	15	59	Glasgow	F	17	63	Moscow	C	24	75	Strasbourg	F	22	72
Belgrade	F	30	86	Guernsey	F	16	61	Munich	F	20	68	Sydney	C	17	63
Berlin	C	22	71	Helsinki	C	25	77	Nairobi	C	20	68	Taipei	F	36	97
Biarritz	C	19	66	H. Kong	F	31	88	Naples	S	30	86	Tangier	S	29	84
Bombay	F	31	88	Innsbruck	R	19	66	Nassau	F	26	79	Tel Aviv	S	20	68
Bordeaux	S	23	73	Inverness	C	15	59	New Delhi	C	35	95	Tenerife	C	25	77
Brussels	F	18	64	Islamabad	C	34	94	New York	C	27	81	Tokyo	F	29	84
Budapest	C	25	77	Istanbul	C	25	77	Nice	S	26	79	Toronto	C	30	86
B. Aires	F	11	51	Jakarta	C	33	91	Nicosia	F	37	99	Tunis	S	31	88
Cairo	F	35	95	Jersey	F	18	64	Oporto	F	20	68	Valencia	S	29	84
Cape Town	R	14	57	Jo'burg	F	13	55	Oslo	F	21	70	Venice	S	28	82
Caracas	C	26	79	Lima	C	18	65	Paris	C	21	70	Vienna	R	19	66
Casablanca	S	22	72	Lisbon	F	30	86	Peking	S	32	90	Warsaw	S	25	77
Chicago	C	32	90	London	C	20	68	Prague	R	16	61	Washington	-	-	-
Cologne	F	19	66	Los Angeles	C	26	79	Reykjavik	F	15	59	Zurich	F	20	68
Copenhagen	F	22	72	Luxembourg	F	16	61								
Corfu	S	30	86	Madrid	S	32	90								
Dallas	-	-	-	Majorca	S	30	86								
Dublin	C	18	64	Malaga	S	25	77								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US grain output set to fall by 25%

BY NANCY DUNNE IN WASHINGTON

THE US drought – ona of the worst in the nation's history – will slash American grain production by almost 25 per cent this year and drop maize output by almost 30 per cent, according to special crop production estimates released by the US Agriculture Department yesterday.

In its report – the most definitive yet on the effects of the drought – the Agriculture Department said foreign supplies will be large and so will fill in any gaps in supplies. However, the USDA maintains that it will have sufficient supplies to serve its export markets, although stocks may be quite low by next summer.

Although the wheat crop planted this spring has been severely decimated, the Department said that the larger winter wheat crop has largely escaped damage and, in fact, seems headed towards producing tha fourth highest yields on record. Total wheat production is projected at 1.84bn bushels, 13 per cent lower than last year.

At the end of the harvest, wheat supplies are expected to *total 3.1bn bushels, slightly more* than had been expected and more than sufficient for domestic and export needs.

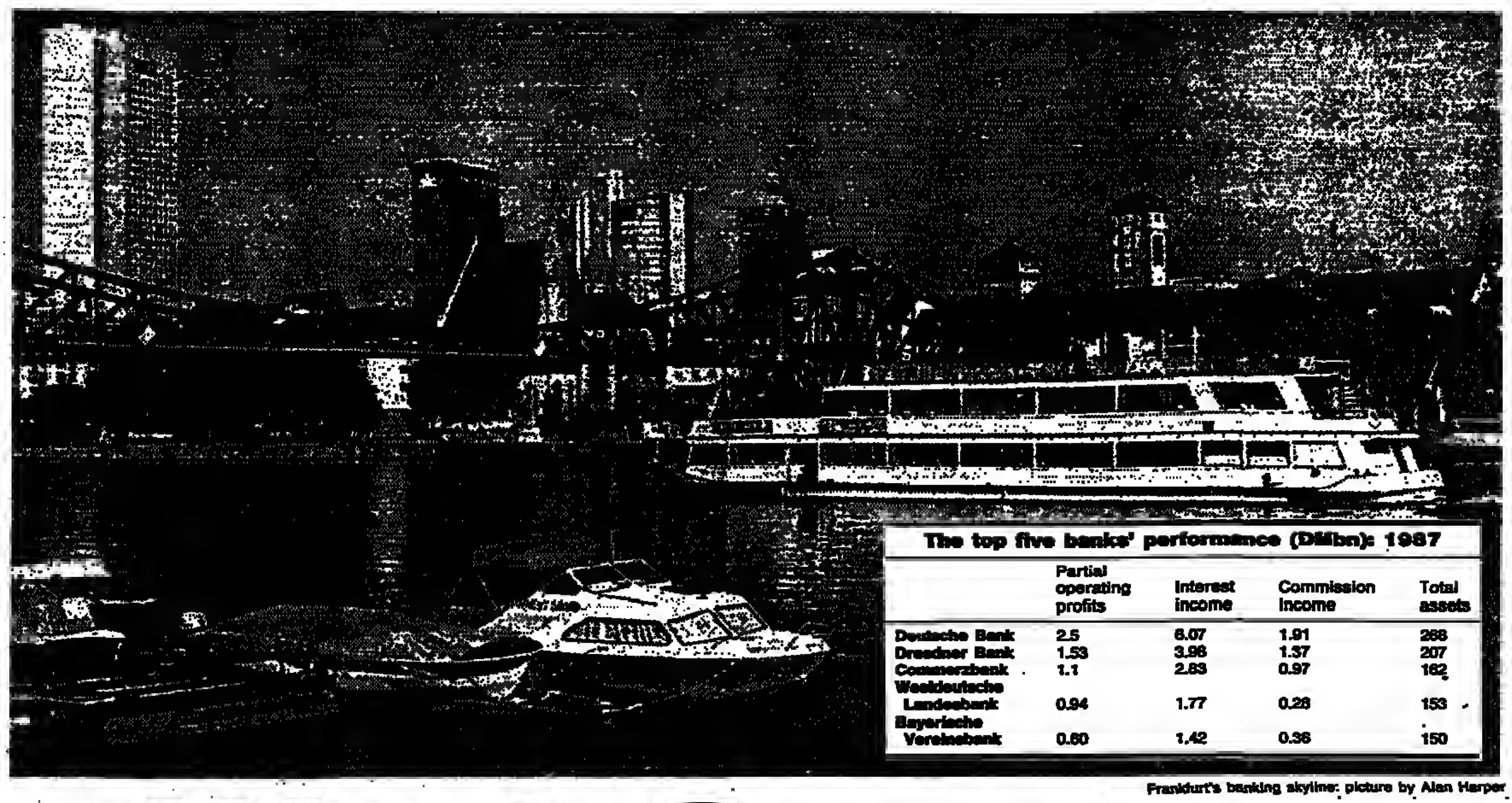
The biggest surprise of the report was the comparatively optimistic outlook for soya beans, which the Department estimated at 1.65bn bushels for this year, down only 13 per cent from 1987. Still, stocks are low at 300m bushels

Dr Norton Strommen, the USDA meteorologist, said parts of the corn belt have had some relief this week. The 5.2bn bushels maize output projected this year will be added to the large *4.4bn bushel surplus to provide* sufficient supplies for foreign and domestic sales.

SECTION III

FINANCIAL TIMES SURVEY

Despite the crash, the gulf between Bonn and Frankfurt and fears about Europe after 1992, all is not gloom in German banking circles, observes Haig Simonian. The dollar's fall has been helpful, foreign banks continue to arrive, a futures market is imminent, the economy has improved.



	Partial operating profits	Interest income	Commission income	Total assets
Deutsche Bank	2.5	6.07	1.91	268
Dresdner Bank	1.53	3.98	1.37	207
Commerzbank	1.1	2.83	0.97	162
Westdeutsche Landesbank	0.94	1.77	0.28	153
Bayerische Vereinsbank	0.60	1.42	0.36	150

The top five banks' performance (DMbn): 1987

Frankfurt's banking skyline: picture by Alan Harper

CONTENTS

West Germany

BANKING, FINANCE AND INVESTMENT

Not shattered, only shaken

WEST GERMAN bankers must be looking back wistfully at 1986 as a golden year of still-booming stock markets and record profits on the back of hefty commission incomes.

Last October's crash seemed almost unimaginable, while *Finanzplatz Deutschland* (Germany as a financial centre), the catchphrase on every banker's lips, still looked just around the corner.

If those dreams have not been shattered over tha past 12 months, they have certainly had a bad shaking. The crash upset most of the universal German banks' profits for 1987, with many having to make large provisions for equity losses.

Full group operating profits at Deutsche Bank fell by almost 33 per cent, while its partial group operating profits – the standard measure – declined by almost 16 per cent to DM2.5bn. Dresdner Bank and Commerzbank also slipped. Only Bayerische Hypotheken- und Wechsel-bank managed to boost its earnings, largely on the back of buoyant mortgage banking business.

As if the crash were not enough, the Government both failed to remove the Börsenumsatzsteuer (stock exchange turnover tax) and, much worse for the financial community, announced a new 10 per cent withholding tax on most savings and investments from 1989.

With no controls on the free movement of capital, German savings have been pouring out to Switzerland and Luxembourg. German banks may still be the beneficiaries in the Grand Duchy, bnt the overall effect of the planned new tax has been to knock the country's status as a financial centre.

Meanwhile, the Bundesbank, which was not even consulted in advance on the new tax, has had to witness the return of the split between the domestic and offshore Deutsche Mark markets that it tried to eliminate when it dropped Coupon Tax in 1984.

Yet while the gulf between the Federal Government in Bonn and the banks' skyscrapers in Frankfurt has seldom seemed so wide, some of the further uncertainties that have entered the German banking scene have been of the banks' own making.

First, division between banking and insurance, albeit increasingly more honoured in the breach than the observance, may be about to vanish. Co-operation between Bank für Gemeinwirtschaft and the Aachener und Münchener insurance company, its new majority owner, is being steadily advanced, despite the sceptics. More important, the probability that Deutsche Bank will go ahead with its much heralded push into life insurance could upset the entire applecart.

Second, after years of talk, a rationalisation among the Landesbanken, the semi-public state banks owned jointly by state governments and regional savings organisations, also appears under way. If Westdeutsche Landesbank and Hessische Landesbank merge, as appears likely, it will create Germany's second largest bank.

Yet some of the new uncertainty has come from factors beyond national control. The European Community's free market in services from 1992 has gained prominence in bank boardrooms. Few bankers are entirely sure what to do about it, but most reckon they ought to do something. In particular, the question of optimal size in the expanded new EC market has become increasingly relevant.

There are already signs of the different strategies being pursued. After buying Banca d'America & d'Italia in December 1986, Deutsche Bank has decided to spread its European wings further by aiming for full control of Banco Comercial Transátlantico, the small Spanish bank with which it has a minority stake.

By contrast, Commerzbank is following a policy of co-operative links and cross shareholdings with other European partner banks. It hopes to be one of the core shareholders in Crédit Lyonnais once it is privatised, and it already has 10 per cent of Spain's Banco Hispano Americano.

Dresdner Bank's plans are less clear, despite rumours of thwarted ambitions in Italy or purchases yet to come. It is playing to its strengths in securities trading and, more recently, fund management.

Yet the prospect of lower barriers and greater harmonisation in the EC has also spurred a defensive reaction in some areas. Certain time-honoured German financial practices appear under threat from new EC rules.

The 100-year-old mortgage banking law could be one of the first bastions to fall. While regretting the possible passing of an era, more sophisticated German mortgage bankers are aware that merely protesting the quality of their existing system and the dangers that might arise if less strictly regulated banks are admitted as issuers of mortgage securities will not be enough.

International plans under the auspices of the Cooke Committee, to harmonise capital ratios for leading banks, are a further area of German concern.

German bankers undoubtedly like the idea of establishing a "level playing field" among internationally operating banks. Deutsche Bank's equity capital now stands at 4 per cent for the group and 5.9 per cent for the parent bank, compared with 4.8 per cent at Dresdner and 4.3 per cent at Commerzbank.

But many of the banks fear their country's strict national capital standards may leave them at a disadvantage under a new international system. Under the Bundesbank's rules, German banks face a very tough definition of "core capital", which contrasts with the somewhat looser definition set out in the Cooke Committee's guidelines. If the Bundesbank does not soften its rules, or no tighter definition is accepted at international level, the Germans fear they may end up facing tougher capital adequacy standards than many of their competitors.

Yet tha Cooke Committe's work merely underscores work already under way by the Bundesbank and the Federal Bank Supervisory Authority in Berlin to revise the banks' regulatory framework, and notably Principles 1 and 1a of Sections 10 and 10a of the country's Banking Law.

The proposed amendments, which the central bank would like to see passed into law ahead of an eventual EC Directive on capital adequacy, will tighten capital adequacy requirements, particularly in terms of off-balance sheet business and the treatment of open positions in foreign exchange and futures and options trading. The banks are far from happy, and consultations continue.

Yet German banking in 1988 is not all gloom. The fall of the dollar against the Deutsche Mark during last year, and the lack of major new sovereign credit risks mean that banks' provisioning for sovereign lending – already high by international standards – is now stronger than ever.

The suggestion by Mr Alfred Herrhausen, chief executive of Deutsche Bank, that some banks may consider forgiveness for certain loans caused a furore. But such an idea clearly has an easier genesis in a bank which had provisioned 76 per cent of its sovereign debt exposure at the end of last year than from a much lower-provisioned transatlantic counterpart.

Meanwhile, the gradual process of a concentration of banking activity on Frankfurt has accelerated noticeably. The concentration of equity turnover in particular may not have pleased officials at some of Germany's seven other bourses. But seen from an international standpoint, the country is gradually moving towards a more rationalised market structure, which may in turn improve liquidity and possibly boost turnover.

And new banks are still coming, despite the Government's uncomfortable surprises. Some of the US investment banks have undoubtedly scaled down their plans for new or expanded activities, but the Japanese look set to form the latest wave of arrivals.

Even the Wall Street houses already present have not had quite so bad a year as once seemed likely. Talk of closures has all but vanished. For, while bond issuing and trading have failed to live up to expectations, corporate finance has proved surprisingly lively. Hostile takeovers remain unknown in Germany, despite some close scathes so far this year, but business is on the increase. The prospect of Europe 1992 has triggered greater interest in cross-border takeovers, where foreign investment banks claim an edge over their German rivals.

Germany is also catching up with the idea of futures and options. The planned new Deutsche Termin Börse – German Futures Exchange – may find it difficult to open in late 1989 as planned, but the momentum to create a new market for essential hedging instruments is at last under way.

Finally, certain fixed strong points in German finance remain. The Deutsche Mark has not budged as one of the western world's key hard currencies, irrespective of the temporary vagaries of the dollar.

Meanwhile, the economy, which earlier this year looked as if it would barely splutter through 1988 with about 1.5 per cent real GNP growth at best, has picked up remarkably on the back of strong foreign demand.

So while German shares may still lack the special situations which have enlivened many neighbouring European markets, even after the crash, corporate performance has been far better than expected. And although foreign interest in the Federal Government bond market may eventually suffer from the withholding tax, buying from abroad remains lively.

Thus, for all the mistakes, disappointments and imponderables of recent months, German finance can still hardly be ignored. How much stronger and more competitive it could have been – or could still be – even after the crash, with a shade less conservatism in Frankfurt and a bucket more understanding in Bonn, is another matter.

There's merger talk in the air as the Landesbanken face up to increased competition from the big commercial banks

Europe's free market will bring new challenges

AFTER YEARS of talk, action now seems to be at hand. West Germany's Landesbanken (state banks), which are semi-poblic institutions nsually owned jointly by a Land (state) government and a regional savings organisation, are talking more seriously than ever about getting together.

West Germany has 11 Landesbanken, which act as regional umbrella organisations for the country's 589 savings banks. The Landesbanken are responsible for certain central services and specialised functions like investment banking, foreign exchange and trade finance.

Yet, like the savings banks themselves, they vary greatly in size and scope. Westdentsche Landesbank (WestLB) is Germany's fourth biggest bank, and is highly active in both international and investment banking. At the other extreme, Landesbank Saar's total assets make it smaller than a number of big-city savings banks.

The reasons for the latest outburst of merger talk are not new. The Landesbanken are facing greater competition from the country's big commercial banks. And they are increasingly aware of the need to offer their client savings banks a wider range of services, partly in response to demand and partly to stave off competition. The biggest savings banks, such as those of Cologne or Munich, are already substantial banks in themselves.

The biggest savings banks are already substantial banks

Yet the pressure for change has grown more acute as German bankers have woken up to the European Community's free market in financial services, planned from 1992. Few know what it will mean, but most already sense that the new situation will create two challenges.

First, the Landesbanken, like other German banks, fear the prospect of greater competition at home from banks from other EC countries. Second, as representatives of a savings bank movement which has counterparts elsewhere in the EC, the Landesbanken and their client savings banks are wondering about the possibility of some wider-ranging links among European savings institutions.

However, realisation of such wider ambitions will probably hava to wait until the German market itself is better organised. So far, one important step has been taken, with the agreement in January between Badischa Kommunale Landesbank (Bakola) and Landesbank Stuttgart to merge. Having two Landesbanken in Baden-Württemberg has long been an anomaly, and the merger, due to take place at the beginning of next year, has often been seen as essential to any further rationalisation.

That scenario has been somewhat left behind. While the two Baden-Württemberg banks now want time to digest their merger before considering any further alliances, others are pushing ahead.

None is more active than WestLB, based in Düsseldorf. Its preferred option is a merger with Hessische Landesbank, Germany's fourth-biggest Landesbank, which has its headquarters in Frankfurt. The link offers both a geographic and a financial fit. It would join banks in two neighbouring states in the industrial and financial heart of Germany. Moreover, while WestLB is the bigger partner, with broad foreign coverage to boot, Helaba has the considerable advantage of great financial solidity and being based in Frankfurt, which has steadily consolidated its role as Germany's financial capital – largely at Düsseldorf's expense.

The scheme is now being examined in detail by the two banks, but there is no sign yet of the outcome. At least there appear to be no problems with the politicians, in contrast to failed plans in the past. "The willingness to speak is there," says Mr Friedel Nenber, WestLB's chief executive, despite the fact that the two states are ruled by opposing political parties.

The biggest Landesbanken 1987: total assets (DMbn)

Westdeutsche Landesbank (Düsseldorf)	152.5
Bayerische Landesbank (Munich)	131.3
Norddeutsche Landesbank (Hanover)	96.5*
Hessische Landesbank (Frankfurt)	74.4
Badische Kommunale Landesbank (Mannheim)/ Landesbank Stuttgart (Stuttgart)	70.0*(approx)
Landesbank Rheinland-Pfalz (Mainz)	41.8

*1986

Nevertheless, WestLB is keeping its options open, Mr Neuber hints. While acting together with Helaba is its ideal, a link with the Hannover-based Norddeutsche Landesbank (Nord/LB), the third biggest Landesbank in the neighbouring state of Lower Saxony to the north, may also be under consideration.

Another idea long favoured by Mr Neuber is for WestLB, which already has a substantial foreign network, to offer its services abroad to smaller Landesbanken, which cannot justify foreign representation. Despite its strong superficial attractions, the idea has been cold-shouldered by other banks as they think they would lose business to their bigger counterpart.

Bayerische Landesbank has had to postpone local merger plans

WestLB may even be suggesting a similar scheme in Frankfurt as an alternative to its merger plans with Helaba. It already has a sizeable operation in the city and has recently taken additional space to house its investment banking and securities operations.

Meanwhile, the merger between the two Landesbanken in Baden-Württemberg, which have now broken off talks with other parties while they put their joint house in order, means Bayerische Landesbank, Germany's second biggest Landesbank, has had to postpone any merger plans with its immediate neighbours – perhaps for up to two years.

It is probably now looking more closely at Landesbank Rheinland-Pfalz, based in Mainz, as a possible partner in a two-way match, rather than at the four-sided agreement that was being considered previously.

Yet such a wider alliance, to include the two Baden-Württemberg banks, may always have been a non-starter in view of the likely opposition from M. Lothar Spaeth, Baden-Württemberg's ambitious prime minister, to a link which would have cemented Bayerische Landesbank's position as top dog. Mr Spaeth may think differently once his state's two banks are consolidated in what will be Germany's fifth biggest Landesbank.

Such regional rivalries probably apply less strongly in the case of a link between Landesbank Rheinland-Pflaz and the Bavarians. But the business and economic wisdom of such a marriage is less obvious, and the two states are not even contiguous.

Linking with either WestLB or Helaba would seem a better option for Mr Paul Wieandt, Landesbank Rheinland-Pfalz's chief executive. But even he finds the idea appealing. WestLB may be concentrating on Helaba at present. That at least explains its rather dismissive reaction to a link with Landesbank Saarland – put forward by one expert earlier this year – which it undoubtedly saw as somethingof a distraction.

Meanwhile, debate in northern Germany on a new bank linking the existing institutions in Hannover, Kiel, Hamburg and Bremen seems much more muffled. Mr Bernd Thiemann, the young and dynamic head of Nord/LB, has been pursuing step-by-step integration based on practical co-operation in areas like computers and data processing. It is a reasonable strategy, but, judging by the present pace, it may be overtaken by events.

Haig Simonian

Profile: Friedel Neuber

Seventh year in the saddle

FRIEDEL NEUBER, the genial but slightly reserved chief executive of Westdeutsche Landesbank (WestLB), West Germany's third largest bank, based in Düsseldorf, is unmoved by the fact that, for the head of a bank of such size, he is remarkably little known outside Germany.

"It's not important at all for me," he says, with a modest smile. "We were rather too much in the press" at one time, he recalls, thinking back to the difficult days earlier in the 1980s, when a string of problems at large creditors like AEG, Deutsche Anlagen Leasing and Neue Heimat kept executives busy. By 1985, the international debt crisis, where WestLB was heavily exposed, had added to the bank's headaches.

"So it was also a business decision for me. The bank needed some quiet," he says. Yet Mr Neuber's sometimes retiring manner at the outset, which speaks more of modesty than of pride, ill-befits his background in the rough-and-tumble world of Socialist politics in North Rhine Westfalia, the state in which he was born and where WestLB is based.

For Mr Neuber, now approaching the end of his seventh year in the top job at the bank, is no banker's banker. He was hauled into the post in July 1981 after two predecessors – Mr Ludwig Poullain, and then four years later Mr Johannes Voelling – had lost the confidence of its owners, the state government and regional savings groups. Aggressive expansion and plunging profits had thrust WestLB *into the headlines.*

'The Ruhr is more than steel and mining'

While Mr Neuber's background may not have been obviously financial – he left school at 15 to become an apprentice at Krupp, the Ruhr steel group – his other credentials were ideal. He was already president of the Rhineland Savings Banks Association, giving him a seat on WestLB's supervisory board, and had 13 years' experience as a member of the state's parliament, where some had tipped him as a potential finance minister.

Matters have improved appreciably at the bank since Mr Neuber came on board. In May, he reported on another year of satisfactory, if reduced, profits for 1987, and a second consecutive dividend payment after a lengthy gap in which earnings had regularly been ploughed back to bolster debt provisions.

"The problems of the past are behind us now," he says. "It took five years to sort out our handicaps. We got through those problems, and profits have reached a stable level now. So I'm enthusiastic about the future."

Indeed, that future holds great potential for WestLB. With total assets of DM152.5bn, it is Germany's biggest Landesbank, and has consequently been playing a leading role in the discussions currently taking place about the future of the country's state banks.

Friedel Neuber

"As a result of history, we have too many Landesbanken," says Mr Neuber. "We should have five at most. The question is how to do it. It won't be decided so soon, but things could be sorted out in not more than two years."

While the talks between Landesbanken rattle on, WestLB is pursuing its own growth strategy. That is now coming less through balance-sheet expansion than the broadening of its coverage and product mix. Earlier this year, it changed the status of its Frankfurt operation from a simple "office" – which already employs 250 people – to a full-scale branch, meaning that it can join the Bundesbank's regional clearing system, saving time and money.

Elsewhere, investment banking remains a priority, despite the crash. WestLB has upgraded the status of its London investment banking activities, which it has hived off from its commercial branch into a new subsidiary. And in October it inaugurated its Tokyo securities operation.

Next on the list is the new Frankfurt-based investment banking joint venture with Mitsubishi, which should open its doors sometime this autumn, once the Japanese partner gains approval from the Ministry of Finance in Tokyo.

Mr Neuber has eschewed the globe-hopping lifestyle of some big bank chiefs: his roots in the Rhineland and the Ruhr remain important. As he sits at dinner, close to the other, the old political broker can still be detected. He is clearly touched by some of the economic difficulties now being experienced in the coal and steel industries.

"I'm fascinated by this region," he says. "There's much more to it than mining and steel, and I believe in its future."

A keen cyclist, Mr Neuber tries to see as much as possible of its variety from the saddle. Cycling trips with friends around the lower Rhine remain a favourite pastime, while forestry and – hunting are also among his pursuits.

And when it rains? He can always turn to his stamp collection, a passion for the past 40 years which he still likes to indulge for a few hours every weekend.

Haig Simonian

Even without the crash, West Germany's eight stock exchanges have had a mixed year

Bonds turnover high as equities dip

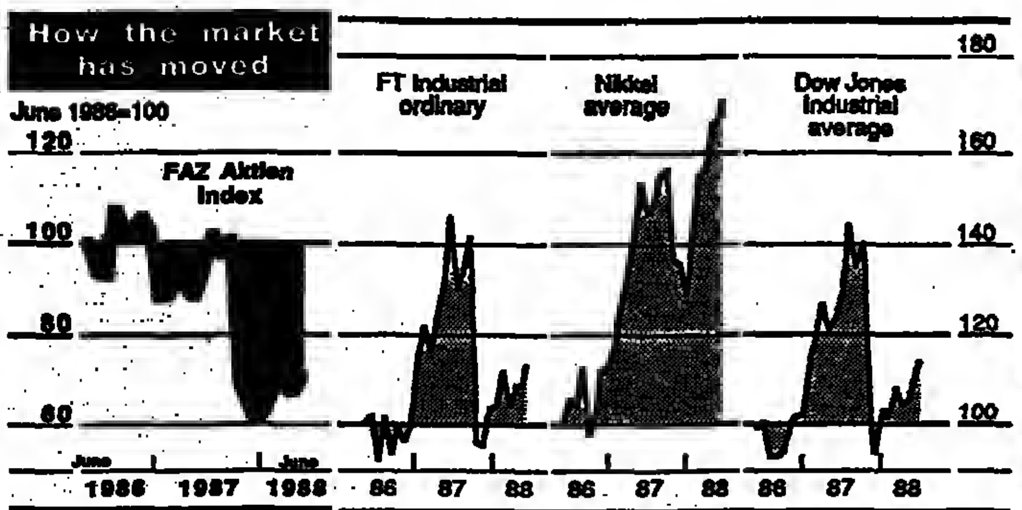
EQUITY PRICES have risen and turnover has improved since the dark days of October and November last year. But even without the crash, it has been a mixed year for Germany's eight stock exchanges. While some important steps to raising the competitiveness of German equities have been taken, a number of deep-seated problems remain.

After a relatively inactive year in 1987, share prices were hit particularly hard by the crash – not least because of the German market's continuing dependence on foreign investors. The weakening dollar and livelier developments on other European bourses meant that many German shares spent the year in the doldrums, even before last October.

Surprisingly, there are now some signs that German investors have started to buy shares more actively. Though notoriously equity-shy, German retail buyers appear to have become keen bargain hunters, according to some estimates. It is unlikely to be enough to overcome the market's dependence on foreign institutions – as German wholesale investors, such as insurance companies and pension funds, remain highly under-exposed to their own equity market by international standards – but bourse officials take the latest statistics as at least a crumb of comfort.

While equity trading remains a good 20 per cent down since the crash, turnover in bonds on the stock exchanges has risen sharply. After a low point of DM29bn last December, monthly aggregate share trading on all eight stock exchanges rose to DM37bn in January and hit DM58bn the following month, before declining to DM48bn in May. Thus, in post-crash Germany, bonds continue to account for a fairly steady three-quarters of turnover on the eight bourses.

Yet disappointments on the equity trading front have at least been partly offset by a number of favourable new developments. After a lengthy gap following October 19, there was one new issue in April and in May, followed by three flotations in June. Meanwhile, the "Geregelter Markt", Germany's second official market, celebrated its first anniversary in May, and now lists shares for 112 companies, along with participation certificates for 15 others.



July 1 this year saw the debut of the Deutsche Aktienindex (Dax), a new equity index based on 30 leading blue chips. What makes Dax stand out in a country already replete with equity indices is the fact that it is the first to be based on real-time prices.

Though it was launched partly under the auspices of the Federation of German Stock Exchanges, the loose umbrella grouping linking all eight bourses, *Dax is actually based exclusively on Frankfurt prices.* The index, derived from Kurs Information Service System (Kiss), the Frankfurt market's share information system, is recalculated every 60 seconds on the basis of price movements during official trading hours.

The index, much like the heavy investment that has been taking place in bricks and mortar at the Frankfurt bourse, further confirmed Frankfurt's growing role as by far the leading German exchange. Though always ahead of the rest, its share of total German bond and equity trading has risen to more than 70 per cent of the total over the past 12 months, against the 50 per cent figure applicable as recently as a year ago. The trend is still upwards, say officials.

It is hard to judge whether the concentration on Frankfurt, which has come largely at the expense of Düsseldorf, Germany's second biggest bourse, will help or hinder the steps being taken to foster greater co-operation between the country's eight markets – one of the key issues still dogging German equity trading.

Progress has undoubtedly been made by the Federation of German Stock Exchanges. But many of its achievements so far – such as the production of joint monthly statistics for all the bourses, and the first-ever joint annual report – have been relatively uncontroversial.

Retail buyers are seeking bargains

The federation has also furthered the wider acceptance of insider-trading rules among German quoted companies. In May, a small but significant change took place in the typography of the official records of the eight bourses. Rather than those companies that *have* accepted the insider-trading guidelines, those that have *not* done so are now being specifically marked out.

All but a few of the Germany's 500-plus quoted companies have now accepted the rules, according to Mr Gernot Ernst, the federation's chairman. However, recent plans in Brussels by the European Commission, to harmonise insider-trading rules, have been widely criticised in Germany; and the federation's enthusiasm for self-regulatioo also stems from a strong desire among German bourses to avoid a legally-based ban on insider trading and the creation of a statutory supervisory authority for securities.

Thus German bourse officials acknowledge that it will be possible to avoid a legally-based regime only if German companies fully back the voluntary rules.

Fortnnately, all eight *exchanges are becoming a little* more inclined to use the federation as their mouthpiece – especially on issues of mutual concern, like the European Community's draft rules on stock exchange trading. Moreover, the continuing competitive threat from foreign stock exchanges, notably London, remains a powerful unifying influence.

But all too often there are still contradictory views and bickering among the bourses on a number of important issues. Paramount among these is the future of the country's two competing *data processing organisations* for stock exchange transactions: the Boersen Daten Zentrale (BDZ), based in Frankfurt; and the Betriebsgesellschaft Datenverarbeitung für Wertpapiergeschaefte (BDW), based in Düsseldorf.

Originally conceived as competitors, in order to provide a cheaper and more efficient service, the feeling now is that two systems is one too many. Sorting out how to combine the two, and who will pay for their new, technically superior, successor, has proved to be a *sticking* point, however. While the banks have blamed individual bourses for raising obstacles and hindering progress, the exchanges in turn *have all too often been tempted* to argue among themselves.

Plans for the creation of a new body, which would take over the assets of the BDZ and BDW and then press ahead with the new computer installations required, have now beeo set aside in favour of an outright takeover of one organisatioo by the other. That still leaves open the matter of valuation, however. Even if matters are now on the right track, it will be some time before the situation is fully resolved.

Data processing aside, it must in fairness be said that many of the remaining problems lie outside the bourses' – or even the banks' – own powers. In particular, the Börsenumsatzsteuer (stock exchange turnover tax), which all had expected would be abolished when Chancellor Kohl's government was returned to power in January 1987, remains solidly in place. It looks likely to remain, so long as the coalition's budgetary arithmetic gets steadily murkier.

Meanwhile, the plan to introduce a new withholding tax on most savings and investments, from 1989, may not directly affect equity turnover on the bourses, as dividends are already taxed at source. But foreign buying of German fixed-income securities could decline; while the decision certainly had a negative psycho*logical effect on German finance* in general.

At least the proposed changes to the country's stock exchange law brings a smile to most faces. While certain changes are highly technical and involve the broking community in particular, many bankers hope that the plan to set up a new futures and options market will give the whole equity business a healthy lift.

Haig Simonian

Futures and options

Swiss influence plan for new exchange

PLANS FOR a much needed new West German futures and options market – to be called the Deutsche Termin Boerse (DTB) – are going ahead. Some say they are proceeding smoothly, but others are less certain that the exchange will be up and running by the end of 1989, as is hoped.

No one doubts the need for a German market in financial futures and options, and it is surprising that it has taken one of western Europe's key financial centres so long to get round to it.

Conservatism among German banks has been one explanation, as has a fuzzy legal background for futures in particular. But the fact that German equities were largely becalmed until the mid-1980s, when foreign institutions started to pile in, also played a part.

Since then, foreign banks and investors in particular have become increasingly active in German securities – notably federal government bonds (Bunds). Meanwhile, German financial institutions have themselves become much more aware of the opportunities in their own markets; while continental European financial centres, notably Paris and Switzerland, have pushed ahead with financial futures and options markets of their own.

Soffex, the Swiss Options and Financial Futures Exchange, has probably had the biggest effect on German thinking. The progress of the London International Financial Futures Exchange (Liffe) and the Matif in Paris have been watched attentively, but the decision of the more conservative Swiss undoubtedly had a profound influence on the Germans.

Indeed, the relationship between Soffex and the planned German market is interestingly ambivalent. There has been close co-operation between the two. The DTB's forerunner has bought Soffex's share option trading software, while a simultaneous agreement also allows for the *bilateral co-operation* in the development of further projects of mutual interest.

Yet it was undoubtedly the potential competition, thethreat that Soffex might one day extend its interest to German equities, that accelerated the German plans. The talk now is more of co-operation between the two exchanges, yet the sense of rivalry has not entirely vanished.

However, the latest challenge to the German plans has come from London rather than Switzerland. Earlier this year, Liffe decided to start trading a contract in German government bond futures. Business starts on September 29. The news, which came as a surprise to the Germans, has put further indirect pressure on the DTB's sponsors and the German Government to speed things up.

Yet the rivalry with London can be overstated. Liffe's plan to trade Bunds has little to do with the DTB's first priority of equity options. According to the original plans announced by Mr Rolf Breuer, a board member of Deutsche Bank and a leading backer of the DTB, other contracts, such as bond futures, will only follow somewhat later.

Now, Liffe's entry on the scene has caused some concern that dealers in the important Bund market may be tempted to move their hedging business to the UK. Once it was established there, some German bankers fear, the bigger cash market might be tempted to follow. Thus, although exchange officials in both the UK and Germany acknowledge that Frankfurt is the natural home for Bund trading, the London habit might become hard to break if it once became established.

Hence the decision by Deutsche Bank – and, it is claimed, the other banks sponsoring the DTB – not to use Liffe's new contract. That contrasts with the enthusiasm in other houses, both in Germany and London, which see the newcomer as a welcome and long-awaited chance to hedge their exposures in German government securities – a large and internationally significant market.

How Liffe will fare, and how easy the "ban" will be to maintain, remains to be seen. Liquidity and widescale participation are key ingredients to the success of any new futures or options contract. While Liffe's new venture may be handicapped, it is confident that there will be plenty of interest to warrant going ahead.

Given the challenges, it is now full speed ahead as far as the DTB's sponsors are concerned. For a start, its original working title of "Goffex" – drawn up by Arthur Andersen, the international accounting and management consultancy group which also paved the way for Soffex – has been Germanicised; and, publicly at least, the sponsoring banks are optimistic that all is going to plan.

A draft bill, setting out the changes necessary to the country's Stock Exchange Law to accommodate options trading, has already been prepared; and regular meetings are taking place between leading banks and the Federation of German Stock Exchanges, to work out some of the detailed legal and user conditions for the planned new market.

By deciding, like the Swiss, to opt for a computer-based market-maker system, the Germans have at least got round the major problem of regional frictions that has often dogged progress on closer co-operation between the country's eight stock markets. The DTB will be a screen-based system, with no physical exchange floor, which means that dealers will be able to log in and trade irrespective of their locations.

DTB GmbH, a limited company to run the exchange, is due to be set up shortly in Frankfurt; while the market's sponsors – Deutsche Bank, Dresdner Bank, Commerzbank, Deutsche Genossenschaftsbank, DGZ and the Federation of German Stock Exchanges – have been pushing ahead with the detailed groundwork.

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Economic storm clouds have lifted, but policymakers expect changeable weather

Exports provide the one bright interval

THE STORM clouds gathering at the end of last year over the West German economy have not blown away. But they have been driven higher, at least temporarily, by more settled foreign exchange conditions and a resurgence of industry confidence.

Gross national product in the first quarter was 4.2 per cent above the level of a year before – partly because unusually mild weather boosted the construction industry. Consumer demand, which remains a principal prop of the economy, is still strong and is expected to grow by 3 per cent to real terms this year. Surveys by the Ifo research institute show that business confidence is much better even than before the October 1987 stock market crash.

The consensus of private forecasters is now for economic growth of 2 to 2.5 per cent this year – against the government's official projection in January of 1.5 to 2 per cent, which was widely regarded as over optimistic. But a fairly sharp slowdown – perhaps to 1.5 per cent – is in prospect for 1989. And a possible twin revival of recessionary and inflationary trends in the US after the autumn presidential elections would be an additional damper.

On the policy-making front, too, the barometer is pointing to changeable weather ahead. Mr Gerhard Stoltenberg, the Finance Minister, has reached the final stages of pushing through a package – hailed as a centre-piece of government policies – of nearly DM19bn of income tax cuts for 1990. However, the impact of the tax reductions (the third stage in a total package of nearly DM45bn of cuts since 1986) has been badly undermined by a row over widening budget deficits.

Mr Stoltenberg, whose star has fallen sharply over the past two years, this month has had to draw up 1989 budget plans against a background of severe coalition strife over financing the tax cuts. The federal deficit will reach around DM39bn this year – DM10bn more than was planned at the end of 1987. The proposal is for it to be reined back to around the DM30bn level in 1989 with the aid of a series of extra taxes and levies, including an unpopular increase in petrol and tobacco tax. The last few weeks have seen intense political horse-trading in Bonn over pushing the 1990 tax bill through the Bundestag (the lower house) and Bundesrat (the upper house, composed of representatives from the federal states).

The time has also coincided with increasing debate among industrialists and trade unionists about the country's alleged handicaps in international competitiveness. In spite of the Federal Republic's continuing high trade and current account surpluses, captains of German industry have been arguing that competitiveness in manufacturing has been eroded by factors such as high social security and wage costs, environmental restrictions and a progressive decline to the work ethic.

There is undoubtedly some truth in this. But the industrialists' arguments have also been advanced to lend force to their complaints that Mr Stoltenberg's tax reductions have not done enough to lower company taxation. Their lobbying has been aimed at ensuring reductions in corporate taxation in the next legislative period. Companies also want to prepare a climate in which unions' claims for higher wages and shorter working hours can be beaten back all the more easily as unrealistic.

The straightforward economic recipes put into action by the Thatcher Government in Britain simply would not work because of the combination of coalition politics, a strong federal bias to decision-making, and the general consensus-oriented operation of the economy.

The post-war reforms of Mr Ludwig Erhard, the Federal Republic's first economics minister, undoubtedly belong to another age of politics and economics. Mr Erhard, who, it is said, never set foot in the headquarters of his Christian Democrat party, would never have risen to a similar position of power in Bonn today.

The aim of Bonn policy making now is to prevent acrimonious bickering over the budget from spilling over into outright coalition warfare. Further attacks on subsidies and on pushing through deregulation have been put aside, at least for the moment. A modest restructuring of telecommunications is being pushed through: this involves the opening up to competition of some communications services at the same time as the maintenance of the Bundespost's basic network monopoly. And the country's anachronistic shop hours legislation is being eased slightly to allow shops to open for an extra 2½ hours one day a week.

But Mr Stoltenberg's pledges to bring in cuts in subsidies, which were made as recently as the beginning of the year, have now been quietly buried. On unemployment, stuck at an average of around 2.3m this year, the government's main aim is simply to keep the total on an even keel.

The one truly bright spot in economic performance has come from exports. In spite of the fall in the dollar over the last few years, exports have held up astonishingly well. They are likely to grow by at least a real 3 per cent this year, buoyed above all by the strength of exports to the EC, which grew by 6 per cent in real terms last year. This growth in exports, overall, compares with the stagnation of foreign sales in 1986 and 1987.

The renewed firmness of the dollar to above the DM1.80 level during the past few weeks could give a further fillip to export volumes. The stability of currencies within the European Monetary System – which has led to a significant real appreciation of the Deutsche Mark against EMS members since the beginning of last year – has also helped considerably. Exchange-rate stability means that West Germany's near-record current account surplus of DM80bn last year will not be reduced as quickly as necessary to achieve greater world financial balance.

The relative weakness of the Deutsche Mark has also added to the fears – felt especially acutely by the Bundesbank in Frankfurt – about a possible revival of imported inflation. The central bank last month signalled its worries by raising the discount rate to 3 per cent.

The annual rate of price rises looks likely to increase to above 2 per cent next year – still a manageable figure. But if the inflation climate warms up beyond that, one of the most intriguing questions for coming months will be whether the Bundesbank can afford further to step on the monetary brakes.

David Marsh

Pulling ministerial strings

DAVID MARSH PROFILES STATE SECRETARY OTTO SCHLECHT

ONE OF the pivotal points on the Bonn policy-making landscape is occupied by the hearty pipe-smoking figure of Otto Schlecht, the 62-year-old Economics Ministry state secretary.

Mr Schlecht, the son of a master butcher from Biberach in southern Germany, has maintained his agreeable Swabian nature over 35 years of serving seven different economics ministers. He also has another Swabian characteristic: canniness, which has enabled him to acquire expertise in the art of decision-making in Bonn's intricate coalition politics.

"Schlecht's three strengths," says a colleague who knows him well, "are the ability to pinpoint problems, a sense of what is politically feasible, and ability to think long term."

Mr Schlecht has been state secretary since 1973, in charge of the ministry's macroeconomic activities. He cut his teeth in the ministry while working as a social policy adviser to Ludwig Erhard during the "economic miracle" years of the 1950s.

The policy-making landscape has changed a great deal since Erhard, the first economics minister of the Federal Republic after it was founded in 1949, pushed through his economic reforms. "A man like Erhard might well fail today," Mr Schlecht reflects.

He remembers writing speeches for Erhard, opposing economic planification suggested during the 1950s under the fledgling Common Market. As a sign of the way economic deregulation has become less popular in the Federal Republic, he remarks that proposals from Brussels – above all, the plan for a single internal market – have a liberalising effect on West Germany.

Mr Schlecht worked successively under Kurt Schmücker, Karl Schiller, Helmut Schmidt, Hans Friderichs and Otto Lambsdorff. He has risen in influence under the present economics minister, Martin Bangemann, who has been preparing to depart at the end of 1988 to the European Commission in Brussels. Mr Schlecht is now firmly ensconced as the man who pulls most of the ministry's strings – and who also masters the technicalities of macroeconomic figure-work, for which Mr Bangemann has never shown much enthusiasm.

He is now preparing to work under a new minister when Mr Bangemann leaves at the end of the year. The successor will be decided by coalition bargaining, but seems most likely to be Mr Helmut Haussmann, the general secretary of the Free Democratic Party. Mr Schlecht, who is two years off from retirement himself, notes with jocular approval that his probable new ministerial boss has a degree in economics.

He was offered by Mr Bangemann the chance last year to serve out his final two years in public service as one of the directorate members at the Bundesbank. The job became vacant because of the retirement of Mr Hans Georg Emde. Mr Schlecht reckons that the job would have meant working half the number of hours and earning twice his present salary. But he turned the proposition down, preferring to stay on at the ministry in the Bonn outskirts of Duisdorf (his office there is about the size of a Bundesbank waiting room).

Mr Schlecht is heartened by the present improvement in short-range West German economic prospects. The ministry is proceeding cautiously in re-evaluating the more positive growth trends of the past six months, but he says that growth of 2 to 2.5 per cent now looks likely for the year. This is above the government's 1.5 to 2 per cent official forecast in January – which was ridiculed at the time because it was considered over-optimistic.

He is well-used to defending government policies against charges of over-caution from abroad. The ministry has played a big part in trying to push through more deregulation. Results, for instance in the modest reform proposals for the telecommunications system, can be achieved only after considerable struggle against vested interest.

But at least this year's consumption and investment picture is now a lot better than at the start of the year. Mr Schlecht says that pessimism following the stock market crash at the start of the year was plainly overdone. "The Germans are highly sensitive, even tending towards the hysterical," he says.

German industrialists should take a leaf out of the books of their Italian counterparts and get on with their business, irrespective of what is happening in the political world, he says. Germans tend to look at all the negative news. "A more relaxed style is needed," says Mr Schlecht.

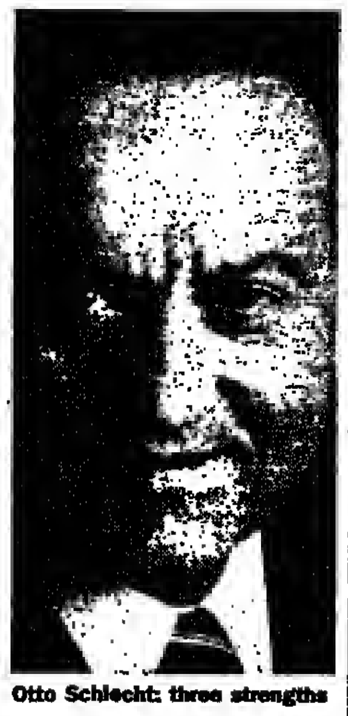
Although Bonn's budgetary policies are in the hands of the Finance Ministry, Mr Schlecht played an important behind-the-scenes role last year in persuading the coalition to accept a large prospective overshoot in the 1988 budget deficit. He persuaded Mr Bangemann to argue forcefully against any question of raising taxes this year to bring down the shortfall. The deficit will rise to nearly DM70bn at the federal, Land and local level, mainly as a result of sluggish tax receipts, higher payments to the EC and a sharp fall in Bundesbank profits.

Mr Schlecht believes that the main focus of budgetary policy should be to keep spending under tight control. The deficit should then be allowed to take the strain of any effects on revenue of the economic cycle. He has also argued, unsuccessfully, in the past that half the government's 1990 package of nearly DM19bn of net tax cuts should be brought forward to 1989.

He is worried about the effect on growth next year of a proposed sharp increase in consumer taxes, unemployment benefit contributions and other levies, which could well offset the impact of the 1990 tax cuts.

The Economics Ministry has had its wings clipped in the macroeconomic field since the days of "super-minister" Karl Schiller. It used to be responsible for monetary and credit policies, areas which were subsequently moved to the Finance Ministry. Mr Otto Lambsdorff, Mr Schlecht's former boss, has called for their reintegration into the Economics Ministry portfolio.

Mr Schlecht says that the ministry has gained influence in other areas – such as industrial policy, foreign trade, energy and European affairs – and still has its role in the monetary field. But he believes re-creation of a super-ministry is highly unlikely because there is no one around of Karl Schiller's calibre.



Otto Schlecht: three strengths

Takeovers

Banks hold key that would unlock the door to reform

WHEN WILL the mighty ramparts protecting German public companies from unwanted takeover interest crack open and allow the country's first successful hostile bid?

For several years German financiers, as well as outsiders, have been telling one another that "it's just a matter of time". But nothing has happened.

The few half-hearted attempts – most recently from the two grandsons of the great German industrialist Friedrich Flick – have usually petered out in the face of one or other of several large obstacles.

Most, but by no means all, of these obstacles emanate from the central role of the German banks, which supposedly offer the discipline on management which the threat of takeover provides in the US or UK. So much is well known, but how exactly do the banks exert their influence? What other traps lie in the path of the hostile bidder? And how, if at all, is the system bending?

To begin with, only about 500 of Germany's largest companies are publicly quoted, and thus potentially vulnerable to a hostile bid. A growing minority of them protect themselves from unfriendly attention through some variant of limited shareholder voting rights. That means the incentive for a bid-generating "takeover industry" to establish itself in Germany has never been very great; the pool of potential business is too small.

Nevertheless, partly because of the absence of break-up possibilities, many German companies remain remarkably undervalued in the equity market, and this hidden value has attracted plenty of wistful interest – both foreign and domestic.

How have the banks dampened that interest? Only to a very limited extent, through direct equity holdings in companies – Deutsche Bank's large minority stake in Daimler Benz being the most famous exception. Indirect holdings are a different matter. German banks customarily hold shares on behalf of their customers, including corporate customers, and thus one or two big banks will often act as the guardian for more than half of a company's equity.

Since there is no shareholder register of German companies (the shares are almost all bearer shares), the aid of the banks is thus vital in communicating with shareholders. A hostile offer that the banks disapprove of can be easily undermined in the wording of a circular.

More fundamentally, the power of patronage in financial markets enjoyed by a few large banks like Deutsche Bank, Commerzbank and Dresdner Bank, ensures that any bank which aspires to do business in Germany will be wary of supporting a contested bid – with money or advice – if the big brothers do not approve.

And this is not simply big-bank paternalism. The banks generally remain opposed to the idea of contested takeovers, because their major clients – the industrialist élite – will not countenance the idea, and would indeed try to ostracise any bank which broke rank.

Yet it is by no means unthinkable that someone could build a majority stake in a company. Indeed, the lack of stringent reporting rules on stake acquisition, or of any equivalent to the UK Takeover Code, makes it theoretically quite easy if the banks can be by-passed or neutralised.

But perhaps the biggest problem of all with contested bids in Germany is that control does not come with ownership. The two-tier board system – a supervisory board which appoints a management board – has a life of its own, which no mere owner of a company can interfere with.

Members of the supervisory board can only be removed by shareholders when they come up for re-election every few years. So it may be several years before enough new members have been inserted to assert control over the management board and thus ths policy of the company. Indeed, with the German co-determination system providing up to 50 per cent of supervisory board seats to worker representatives, it may never be possible to exert control unless the need for restructuring is obvious.

Commerzbank: among those with the power of patronage

So, what are the pressures for reform? The EC's various attempts to harmonise company law – given a fillip by 1992 – could help a little. For example, the Directive, which should become law next year, that limits a bank holding of a non-bank company to 10 per cent will cut down on direct control. Also, as 1992 brings more cross-border takeovers, complaints about lack of reciprocity – particularly directed at systems (like the Swiss) where shareholder voting rights are severely restricted – are bound to increase in volume.

But the key to reform is probably a recognition on the part of the German banks that it is now in their interests to release some of the hidden value of the companies they influence. For many years it was in the banks interests to encourage debt finance in preference to equity finance, but now, with German companies so un-geared, that is no longer self-evidently the case.

The difficulty for the banks is that, once they give contested takeovers the green light, they will not be able to control the distribution of the spoils. Ths ranks may thus remain closed for quite some time to come.

David Goodhart

Profile: **Horst Jannott**, of Munich Re

Numbers count in the family

WALK THROUGH the portals of its palatial Munich headquarters, wait in the pink marble reception area that combines traditional grace with ultra-modern sculptures, and the chances are that Mr Horst Jannott, chief executive of Münchener Rückversicherung (Munich Re), the world's largest reinsurer, will greet you in "the leather room" – his main reception chamber.

Regal comparisons are commonplace, if a little unfair, to a man who, though sovereign in his business, does not necessarily court the same ego in private.

But it is no surprise that Mr Jannott, whose position as head of one of West Germany's financial giants gives him seats on the supervisory boards of a string of leading companies, has also been described as one of the country's *éminences grises*.

After all, puzzling out the breadth of the Munich Re's financial empire remains one of the favourite pastimes among analysts in Frankfurt and London. The policy of valuing assets on the basis of lowest possible values – the lower of cost and market value – means that estimates of the "true" size of its holdings run into many billions of Deutsche Marks.

Mr Jannott, a lawyer by training, who has been with the company since 1954, and its chief executive since 1969, is reluctant to speak in too much detail about either assets or its reciprocal 25 per cent stake in Allianz, Europe's biggest insurer, which was founded by the Munich Re in 1890.

The relationship between the two companies "is an advantage which leads to many common interests," he says. However, the market has long come to appreciate the Chinese walls between the two, without which neither could have flourished.

Thus the value of the link is "overestimated". "Allianz is one of the biggest among our big customers. But it is not necessarily the biggest – others are about as big," he says.

As to assets, Mr Jannott is equally reserved. But he is clearly unhappy about the European Community's draft plans, which might oblige the company to disclose the value of its assets more fully "I don't want to see a softer accounting system," he says, arguing strongly in favour of a preservation of the status quo.

Earlier this year, Munich Re bought New Re, a small Geneva-based reinsurer, in an unusual step for the normally non-acquisitive company. Mr Jannott says the wish to offer primary insurers a broader choice of reinsurance options from within the group was the spur.

Bnt could the possibility of new EC rules in the pipeline have been an added incentive to buy in Switzerland, conveniently close to Germany but safely outside the EC, to which some holdings could one day be transferred if necessary?

"Switzerland could be interesting" in that respect too, Mr Jannott replies softly.

Last year, the Munich Re raised its dividend to DM10 a share – the first increase for many years. The company has a policy of giving shareholders a consistent long-term yield by boosting dividend payments with a deep-discount rights issue every 2-3 years.

But with the strong DM depressing its premium income, which only rose by 1.2 per cent last year, there was no need to raise new capital to keep pace. "It gave us an element of room for manoeuvre," says Mr Jannott.

However, another dividend increase is not on the cards this year, even if premium income growth remains constrained and the company's capital needs stay limited. "This year, there is nothing at all in question," he says. But he leaves open the possibility of another dividend rise sooner than expected, should profits remain good and tha need to raise capital stay constrained.

Horst Jannott: the sixth chief

Mr Jannott has a reputation as a balance-sheet wizard. Munich Re'a figures speak for themselves. Under his guidance, its premium income has soared from soms DM300m a year, when he joined, to almost DM12bn last year. But perhaps a head for numbers runs in the family: his brother, Edgar, runs Victoria Leben, one of Germany's largest insurers.

Then again, it may be just the sense of family within the Munich Re itself. Mr Jannott is only the sixth chief executive since its foundation. Staff changes are infrequent and the sense of continuity is deep, meaning that the atmosphere in its Chateau-like headquarters in Munich's Königinstrasse is sometimes more akin to an Oxbridge college than a business enterprise.

After all, among the relatively few adornments on the walls of the leather room is a big colour enlargement, showing staff outside the headquarters. The picture – a present from the workforce to Mr Jannott on his 60th birthday earlier this year – probably says more about the Munich Re dynasty than any chief executive alone.

Haig Simonian

The new futures exchange

Continued from Page 3

The banks are now waiting for the Bundestag (the federal parliament) to pass the necessary legislation. However, matters may not be going as smoothly as planned. The Finance Ministry in particular has been preoccupied with the country's controversial tax reform package, and the DTB may have been pushed slightly down its list of priorities, despite the Government's stated commitment to the venture. Thus it may no longer be possible to have the stock exchange reform package througb parliament before Bonn's summer political break.

One useful development, in the meantime, has been the arrival this month of the Dentsche Axtienindex (Dax), a new real-time equity index based on 30 leading blue chips on the Frankfurt stock exchange. Much like the FT-SE 100 in London, the Dax, which is Germany's first real-time share index, will provide the basis for an eventual equity index futures contract on the DTB. in time, its sponsors may be interested in selling rights to the new index to other financial futures and options markets as well, although no approaches have yet been made.

While German traders will have plenty of time to get used to the Dax before the DTB opens for business, early steps are already being taken towards a second real-time index for bonds – Rentenindex, nicknamed "Rex". Such a newcomer could in time provide a very useful hedging tool for German bond traders.

Meanwhile, ons joker in the pack remains the plan of the Bundesbank and the Federal Banking Supervisory Authority in Berlin to amend Principle 1a of the country's Credit Law. If the change goes ahead, as suggested to draft proposals, the revision will limit banks' maximum open positions. That will affect not just foreign exchange trading, but options and interest rate futures too.

Some bankers claim that this restriction could have a greater effect on prospects for the DTB than all the possible competition from London and Switzerland put together.

Haig Simonian

The Bundesbank is a possible model for a European institution

Stability still matters most at the Frankfurt fortress

IT WAS a piece of light-hearted whimsy, a humorous touch applied to an otherwise earnest subject. Mr Karl Otto Pöhl, president of the Bundesbank, was talking about the creation of a unified European currency, asserting that the West German central bank was not, as is often suggested, opposed to such a goal.

What should it be called, this currency which would displace the Deutsche Mark, currently the linchpin of the European Monetary System (EMS)?

Certainly, it should not be weaker than the German currency, 40 years old this year. It could even be called a Franc, offered Mr Pöhl. But, he added, alluding to the home of the Bundesbank, "it must be a *Franc fort* – a strong Franc."

Continuing the theme, he said that it would be more than a symbolic step to locate the central institution for this European currency in *Francfort sur le Main*, the full French name for the German banking and financial centre. All this, he admitted in a recent speech, "is speculation about the future, however it turns out".

It is, however, a future over which Germany's banking and government authorities are in a position to exert a strong influence. Mr Pöhl and his Bundesbank colleagues have stressed that Germany's experience with the D-mark since 1948 should be an essential element in any new pan-European monetary structure. "Good national money such as the Deutsche Mark should be exchanged only for equally good European money," the Bundesbank said sternly in a recent monthly report.

To non-Germans, that could sound more than a little didactic, or even arrogant. But it is a view firmly held in Frankfurt and in Bonn, though not all party politicians are committed to trying to make the Bundesbank the model for a possible European institution.

Backing up Mr Pöhl's view, Chancellor Helmut Kohl said a few weeks ago, at a gathering to celebrate the D-mark's 40th anniversary, that "the vision of a European union is certainly linked closely with that of a European monetary union".

It was obvious, he added, that Germany's Bundesbank must be taken as a guideline for further European currency developments. Above all, he stressed the German central bank's obligation to ensure monetary stability, its independence, and its decentral organisation. (Key credit and monetary decisions are taken by an 18-strong council, seven from the Bundesbank's own directorate and the rest from the regional states.)

Karl Otto Pöhl: call it a franc, if you like

At the Hanover summit, it was agreed that European economic and monetary union would be studied further. Apart from Chancellor Kohl, a strong supporter of such a goal is Mr Hans-Dietrich Genscher, the Foreign Minister. Curiously, Mr Gerhard Stoltenberg, the Finance Minister, has been less vocal on the subject, though he made his views known in a memorandum in March, saying that EC states would have to achieve greater convergence on budget deficits, current account balances, and inflation.

One view held strongly by Mr Pöhl is that monetary union is not possible without the necessary political will among EC member states. (Britain, for example, has shown deep scepticism about such a vision.) He has questioned in the past whether this will exists, emphasising that progress towards monetary union must go hand in hand with closer economic co-operation.

Speaking at the same forum as Chancellor Kohl, he opposed as "illusory and dangerous" suggestions that monetary union could be achieved by setting up a parallel currency to those now in circulation and thus avoiding the political decisions necessary for full currency integration. He also said that the specially wide EMS intervention bands for Italy should be abandoned, and

'Good national money should be exchanged only for equally good European money,' said the Bundesbank sternly, in a recent monthly report

renewed his call for Britain to join the currency system.

While the discussion about Europe's monetary future has been stepped up in recent months, Germany's own financial landscape has developed some intriguing features. With interest rates at record lows, investment has flooded out of the country this year, in search of better returns elsewhere. And with the D-mark weakening against the dollar and other currencies, there has been no temptation to move money into the Federal Republic in the hope of currency appreciation. In addition, Mr Stoltenberg's plan for a withholding tax on interest income has aided the outflow.

The weaker D-mark has certainly helped exporters, with the trade surplus remaining high this year. One key industrial branch, mechanical engineering, has experienced a surprising surge in new foreign (mostly European) business, partly influenced by the softer currency and partly by strong demand as customers re-equip and modernise at a time of accelerating technological change. Overall, the economy has performed more bouncily than last year, thus vindicating those who expected growth in 1988 to exceed rather than stay below 2 per cent.

But with the improved economy has come concern over possible inflation. While this may seem laughable, in view of Germany's current price rise rate of a mere 1 per cent or so, German monetary officials are keen to nip inflation in the bud while they can. The weaker D-mark is an inflationary factor, because it makes imports more expensive. In the past two years, the rising currency has helped to keep prices down, and has combined with lower oil and commodity costs to boost real incomes.

In Chicago recently, Mr Pöhl stressed: "My country has benefited from the appreciation of the D-mark." Thus the Bundesbank has looked with concern at the currency's downward movement, which also hinders the adjustment of the large world economic imbalances by keeping exports strong. On the long-term capital account, however, Germany has shown a deficit this year as domestic investors have sunk a net DM24bn into foreign securities in the first four months of 1988, almost as much as in the whole of 1987.

Thus the latest trend towards higher interest rates in Germany is in line with an economic and financial situation much changed from last autumn when Germany angered the US ahead of the world stock market crash. The upward rate movement, in a country with minimal inflation and economic growth which is steady rather than exciting, still raised eyebrows in Washington and Bonn.

But bringing the money supply back under control, after two years of overshot targets at a time when money was flooding into Germany, remains a prime objective of those in the Bundesbank's fortress-like headquarters at the edge of Frankfurt. Stability still comes first in a country in which inflationary angst is deeply embedded.

Andrew Fisher

The D-mark has needed a tonic in the year of its 40th birthday

How a new currency became the catalyst for a miracle

IN THE summer of 1948, with much of Germany still in ruins, many of its people starving, and the economy laid low by the second world war, it would have taken a brave person to predict today's level of prosperity in the Federal Republic.

Well-dressed, much travelled, and used to good and plentiful food, West Germans now enjoy high incomes compared with much of the rest of the world. They drive the latest cars (an old model is a rare sight these days), enjoy long holidays, and work increasingly shorter hours.

But it was during that summer 40 years ago, on June 20, that an important foundation stone was laid for the post-war economy. On what the Germans call "Day X", the currency reform was enacted, replacing the discredited Reichsmark at a time when barter and black market trading far outweighed legitimate dealings.

The switch to the D-mark was hotly argued among financial experts and politicians

In its place came the Deutsche Mark, which has become one of the strongest international currencies. Against the currencies of 14 leading industrial countries, it has risen by around 130 per cent since 1948. Average yearly inflation has been just 2.7 per cent, better even than Switzerland.

In the 1970s, when inflation was raging, Germany was the only country to keep its annual increase in single figures. While prices rose by 87 per cent in the US between 1973 and 1979, and by an average of 110 per cent in OECD countries (excluding Germany), they moved up by 39 per cent in the Federal Republic.

Forty years on, it may look as if the 1948 currency reform was a magic formula, which had only to be acted upon to create the conditions for growth. In fact, the switch to the D-mark was hotly argued among financial experts and politicians. Once implemented, however, it became a crucial element in Germany's post-war prosperity. The new currency, with one D-mark replacing 10 old ones (apart from 60 Marks exchangeable on a one-for-one basis), helped to restore much-needed confidence.

Schiller: resigned

Adenauer: annoyed

But it was not the only impetus behind the so-called Wirtschaftswunder, or economic miracle. Also of vital importance were the liberal policies of Economics Minister Ludwig Erhard, generous Marshall aid from the US, and the fact that German industry was not extensively dismantled, as it was in East Germany.

Erhard's contribution is summed up by the Bundesbank thus: "Despite Allied misgivings, he progressively freed the markets from the fetters of economic controls and price freezes, and gave free rein to private enterprise and competition."

The central bank devoted a long chapter in its May report to the currency reform and its consequences. Not surprisingly, it stressed the Bundesbank's role in preserving monetary stability, arguing that the experience with the D-mark should be incorporated in the development of a unified monetary area in Europe.

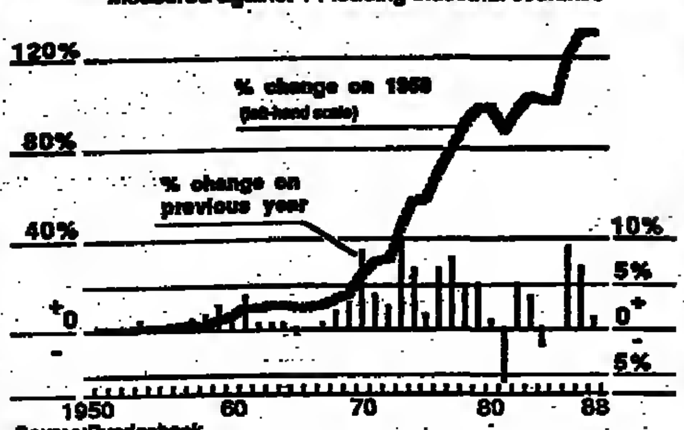
With a legally enshrined independence that is the envy of other central banks, the Bundesbank in Frankfurt has not always seen eye to eye with the government in Bonn. Disagreements surfaced early on. Chancellor Konrad Adenauer was annoyed when the Bank Deutscher Länder, the Bundesbank's predecessor, put up interest rates in 1950. He described a later rise in 1956 as a "guillotine" for the economy.

Just after the second oil price shock the D-mark lost nearly 15 per cent of its real value

In the early 1970s, Karl Schiller, heading both the Economics and Finance ministries, resigned over a Bundesbank proposal for temporary capital controls. A decade later, Chancellor Helmut Schmidt argued with the Bundesbank over its tight credit policies, pleading for lower interest rates.

The D-Mark's external value

Measured against 14 leading industrial countries



Source:Bundesbank

The period between 1979 and 1981 was one of the worst for those committed to a stable currency. Just after the second oil price shock and with the current account in deficit – to the tune of \$16bn in 1980, then a record for an industrialised country – the D-mark lost nearly 15 per cent of its real value.

Since then, the going has been smoother. Germany even had "minus" inflation in 1986, for the first time since 1953. Today, with prices edging up, concern about potential inflation has increased. Ironically, the D-mark has weakened in the year of its 40th birthday, prompting higher interest rates to revive its strength. Forty years after the currency reform, Germany still has a struggle to keep its hard-won stability.

Andrew Fisher

Haig Simonian explores two lesser-known areas of Germany's banking world . . . its art collections and its eating arrangements

Masterpieces brighten the tall towers

VISITORS TO Deutsche Bank's Frankfurt headquarters are often surprised by the unfamiliar names alongside the floor numbers for each of the 30-plus storeys in its twin towers.

The names are not those of long-deceased board members, commemorated in the elevator, nor of management "minders" to supervise each level of the bank's multifarious activities. They belong to cootemporary West German artists, whose works each fill one floor of the building.

Dentsche Bank captured the headlines with its cultural initiative, but it is by oo means the only German bank that promotes art. Be it clever public relations or a geouine attempt to fashion the artistic sensibilities of employees and further the careers of young artists, the prominence of art – especially contemporary – in German banks is striking.

The works on show do not have to be post-war, although that is where Deutsche Bank's emphasis lies. Its lesser-known, but mnch more valuable, treasures are usually reserved for floors 28-30 of tower A and above, where board members' have their offices.

Again, the onus is on 20th century Germany, but with names

The prominence of art in banks is striking

like Kirchner, Beckmann and a host of established Expressionists taking pride of place, rather than up-and-coming contemporary painters. Visitors to the 35th floor conference room, for example, which is the usnal venue for meetings of the bank's supervisory board, can feast their eyes on a colourful Schmidt-Rottluff windmill.

Any disappointment among those seeing Mr Alfred Herrhausen, the executive chairman, who sports only a couple of smallish works by Otto Dix in his otherwise rather austere white office, is usually compensated for by visits to Mr Wilfried Guth or Mr Hermann Abs, Deutsche's two veteran ex-bosses, who are almost as well known for their love of art as of finance.

However, the attention paid to Deutsche Bank has upset some of its counterparts. The paintings owned by Bayerische Hypotheken- und Wechsel-bank (Hypobank), Germany's sixth biggest bank, based in Munich, are every bit as good, if not better. But its collection is largely classical. Boucher, David and Fragonard are just three of the 18th Century French names that feature prominently. And, perhaps reflecting its southern leanings, Guardi and a number of Venetian masters are also represented strongly.

The bank is more open than most with its collection. All its works are on permanent loan to Munich's famous Alte Pinakothek gallery, rather than oo directors' walls – part of a policy dating from the mid-1960s, of working together with galleries to plug gaps in Bavaria's public collections. Hypobank has also served the public by its putting on special shows in the exhibition hall at its central Munich headquarters. Starting with German Romantics in June 1985, subsequent exhibitions have included Faberge jewellery, Magritte and Braque.

Contemporary Munich artists are currently on display in a complete change of style that typifies the varied policy of Mr Hans Fey, the board member responsible for the shows, who clearly finds his artistic duties a welcome distraction from the mainstream mortgage banking tasks that make Hypobank tick.

But masterpieces can sometimes be found in the most unexpected places. Walk into the reception room on the executive floor of Westdeutsche Landesbank's modern Düsseldorf headquarters, and one of Max Beckmann's best self-portraits stares out at you amically from outside the chief executive's office. It makes a refreshing change from the antique maps and worthy pieces which usually make np the decor in most semi-public Landesbanken.

However, even Hessische Landesbank, hardly Germany's most glamorous financial institution, has its surprises. In one of its many rather dingy buildings in central Frankfurt, the fifth floor

Unfortunately much of value is tucked away

reception area boasts a beautiful floral composition by Emil Nolde, in an instantly-recognisable burst of colour.

But Germany's smaller private banks probably have the most enigmatic treasures, thongh unfortunately much is tucked away. Who knows what gems adorn the partners' walls at houses like Sal Oppenheim, in Cologne, or Merck Finck, in Munich, whose private structure makes their financial results a matter of conjecture, let alone their art collections,

At least the partners at Trinkaus & Burkhardt, the Düsseldorf-based bank which is majority-owned by Midland, can breath a sigh of relief. Its fine holdings – mainly German Expressionists, with a conple of Barlach sculptures to boot – could not fall prey to any additional capital-raising requirements by its UK parent during its darkest hours. Built up by a former partner, the collection is now in the form of a cultural foundation.

Detail from Fragonard's La Gimblette, in Hypobank's collection

Deutsche Bank's canteen in Frankfurt provides an object lesson in reasonable eating in pleasant surroundings at a bargain price

Where bankers take a steak

. . . Imagine our surprise on finding one of our most satisfying culinary experiences in West Germany not in one of the country's much vaunted establishments, but in the medium sized town of Wiesbaden, at the local subsidiary of Equity & Law – an English group . . .

GOURMETS LIKE the legendary French team of Gault Millan know that good food is sometimes found in the least expected places. But fortunately it is not always necessary to borrow the florid language and often bombastic opinions of the legendary Gallic gastronomes when sampling the cuisine in German financial institutions.

That Equity & Law, a UK insurer, should now be owned by a French company, Compagnie du Midi, would no doubt serve as adequate proof to explain its excellent cooking to most epicures on the other side of the Rhine. But despite legitimate criticism that German cooking still tends to be stronger on quantity rather than quality, its banks sometimes pride themselves on providing the best.

Westdentsche Landesbank probably has the most consistently good and innovative executive eating – fitting perhaps in glittery Düsseldorf, its home town. And its wines are seldom dutifully domestic, as at many German banks. With 1992 just around the corner, none of the country's banks goes in for anything more exotic than a French vintage: German banks may be expanding ambitiously nn the continent, but their cellars seldom show the same cosmopolitanism.

While WestLB cooks very well for its bosses – its reception area even boasts its own bar and a barmen who mixes a unique Sekt-based house cocktail – Deutsche Bank wins hands down when it comes to feeding the masses.

The first-floor canteen in its Frankfurt headquarters is an object lesson in reasonable eating in pleasant surroundings at a bargain price. The widely-spaced tables command relaxing views over the tree-lined Guiollettstrasse, while the separate coffee area has a bistro-like feel more akin to the Mövenpick restaurant chain than an insitutional eatery.

Visiting dignitaries are usually entertained in the executive dining rooms many floors above. There is also a little-known restaurant for middle and senior management – this backs on to the main canteen, for which guests should make a bee-line if they want to see what good eating for the troops really ought to be.

Unfortunately, the same imagination does not apply to the food that the bank – literally – rolls out at most of its big presentations. Its standard fare of open sandwiches and warm sausages, liver, meat and fish – served from four-compartment trolleys with an unchanging accompaniment of sauces – is adequate at first, but soon palls. Either the chef has only one recipe in his cookbook, or the bank has a stake in a food-processing group tucked away somewhere among its hidden participations.

What Deutsche Bank and many of its big Frankfurt counterparts may sometimes lack in culinary imagination, they usually make up for in views. The big three banks all offer diners spectacular panoramas from their towers. But the views from Bank für Gemeinwirtschat, whose skyscraper looks over the river Main, or from DG Bank, are arguably better still, though guests at the latter will have to leave the main building and walk over to its tower block to gaze out majestically over Frankfurt's huge station, laid out like a toy train set below, and the Taunus hills beyond.

Likewise at Dresdner Bank, private meals are taken in the old building, where managing board members have their offices, rather than in its adjoining skyscraper. The food is acceptable, but not stunning, with a strong German bent and a typical mixed salad always served between courses. The chocolates over coffee are to be recommended, however.

Eating near the clouds is also possible at Citibank, Chase and Morgan Guaranty, in Frankfurt, all of which have dining rooms atop their towers. All are good, but none warrants special mention. Tyically lavish, Salomon Brothers has also installed dining facilities at its large new offices: but, like the trading room, much of its capacity is under-used at present.

Surprisingly, eating at Munich's big three banks seldom offers the culinary treat one might expect, given the city's reputation for many of the other good things in life. Bayerische Vereinsbank, Bayerische Hypotheken- und Wechsel-bank (Hypobank) and Bayerische Landesbank all offer perfectly adequate food (though one meal at Hypobank was an unappetising mixture of Wiener Schnitzel and boiled potatoes); yet none really excels.

Bayerische Landesbank offers the most interesting surroundings. The top floor of its modern blue steel and glass headquarters is a delightful play of light and shadow. One dining area is even decked out in Bavarian country restaurant style, with wood panelling and rustic chairs. Outsiders might find it overwhelming, and are usually taken elsewhere.

Proving the rule that the best meals often come in unexpected places, banking gourmets should beat their way to Deutsche Siedlungs- und Landesrentenbank (DSL Bank), in Bonn, where the food is a delight. What will happen once the bank, now a universal bank in all but name, is partly privatised next year remains to be seen. But then, some bankers are probably asking themselves the same question about its mainstream business too.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday July 13 1988

Merrill Lynch suffers further fall in earnings

BY ANATOLE KALETSKY IN NEW YORK

MERRILL LYNCH, the big Wall Street brokerage house, suffered a further decline in profits in the second quarter, confirming the difficulties still faced by the US investment banking industry in the wake of last October's crash.

The company's highly publicised salary cuts and staff shake-outs late last year did not make a dent in operating expenses. Total expenses resumed their growth again in the latest quarter, after a 7 per cent fall in the first three months of this year.

Merrill Lynch made net profits of $53.5m or 47 cents a share in the second quarter. In the same three months last year, the company reported a profit of $83.2m or 75 cents a share, but this figure included a huge one-time loss resulting from the failure of Merrill Lynch's hedging strategy in the mortgage-backed securities market.

Taking this and other special items into account, last year's underlying net profit would have been about $114m. The latest result thus represents a cut of 53 per cent in Merrill Lynch's underlying earnings. The latest figure was also down compared with the first quarter of 1988, when Merrill Lynch made net profits of $68.3m. In the fourth quarter of 1987, crash-related losses pushed the company's net earnings down to only $3.5m.

Merrill said total revenues increased 8 per cent in the latest quarter to $2.5bn, but the improvement was due essentially to higher turnover in the company's trading on its own account. Profits from principal transaction were $388m, compared with last year's loss of $133m after the mortgage-backed trading debacle. Commission revenues fell 35 per cent to $393m and investment banking revenues declined 13 per cent to $256m. Net interest and dividend profits fell 11 per cent to $102m.

Meanwhile, non-interest operating expenses increased 5 per cent to $1.6bn. A 3 per cent decline in staff compensation and benefits since the second quarter of 1987 was not sufficient to offset reflecting higher costs for office space and depreciation of capital equipment.

STC to build US plant

BY HUGO DIXON IN LONDON

STC, the UK electronics company, is building a $30m plant in the US to manufacture underwater telephone cables.

The company believes the investment will enable it to capture a larger share of the fast-growing market for submarine fibre-optic cables, particularly in the Pacific basin. These cables, which can carry a large quantity of voice and data traffic, will revolutionise international telecommunications.

STC, which pioneered fibre-optic cable technology, is one of the three or four leading manufacturers of submarine cables but believes it has been denied some of the largest contracts because of protectionism.

The factory, in Portland, Oregon, would help overcome this handicap, said Mr Richard Turner, chairman of STC Submarine Systems.

Five main trans-Pacific cables are being planned in the near future. Three will link the US and Japan, one will link Australia and the US, and the other will link Australia and Japan.

Knight Ridder to buy Dialog for $353m

By Roderick Oram in New York

DIALOG INFORMATION Services, which claims to be the world's largest computer-based information retrieval company, is to be sold to Knight-Ridder, a leading US newspaper publisher, for $353m.

The purchase price far exceeded the $200m target which Dialog's parent, Lockheed, the US aerospace company, had apparently set when it put its California-based subsidiary up for sale this spring. Lockheed, which sold Dialog because it was not a core business, will use the proceeds to reduce debt.

Knight-Ridder said Dialog would double its information services division which includes Vu/Text, a computer data base drawing on Knight-Ridder's 30 daily newspapers and other sources. The division's performance is improving after losing $1m on revenues of $99m last year.

Dialog, which earned net profits of $9.7m on revenues of $98.1m last year, offers access to some 320 data bases to more than 91,000 customers in 86 countries. Dialog owns only its systems and pays royalties to the owners of the data bases. It also offers services such as electronic mail.

The company grew out of a research and development project which started in 1963 at Lockheed's Information Sciences Laboratory and began offering its services commercially in 1972.

Dialog has begun to offer data on read-only compact disks and although the disk readers are expensive add-on equipment for personal computers, they offer a cheap and convenient form of data retrieval. They are seen as a long-term threat to at least the historic data segment of the dial-up services offered by Dialog and its competitors.

Deborah Hargreaves profiles another sector praying for rain in the parched Midwest

Storm clouds gather over US farm suppliers

AS FARMERS pray for rain across the drought-ravaged US Midwest, farm equipment companies have been watching the withering crops with growing alarm. They fear farmers, who had just started to replace their ageing equipment, will be put off investing in new machinery while the drought lasts.

"Wa're in a 'wait and see' mood," explains Mr Don Van Howling who runs Van-Wall Equipment, at Perry, Iowa, in the heart of the parched cornbelt. "Wa'll tell in the next two weeks *if it's 'wait and saw.'"* Mr Van Howling, who is a dealer for Deere, the largest US farm equipment-maker, reports an experience typical for dealers across the Midwest.

First-half sales this year have been the best in the past decade as the farm economy finally struggled out of its debt-ridden pit. Mr Van Howling was looking for a bumper year with prices rising by 15 to 20 per cent until the drought set in at the end of May.

"This was the year that farmers had counted on improving, rather than just getting back to normal," he believes. "Bnt a drought is worse than all the low prices because there's just no activity at all – we don't even have service and repair work."

Farmers across the Midwest, who had been looking to replace their 10- 15-year-old equipment this year, have hesitated to invest before they know the extent of their crop damage. Some have even cancelled orders made in the spring.

Mr Lynus Rurucha, who runs Greenline Equipment in Grand Island, Nebraska, has already had three cancellations of tractor orders. His area is irrigated, which means farmers will reap a crop, but this year, the irrigation sprinklers have been turned on six weeks earlier than usual.

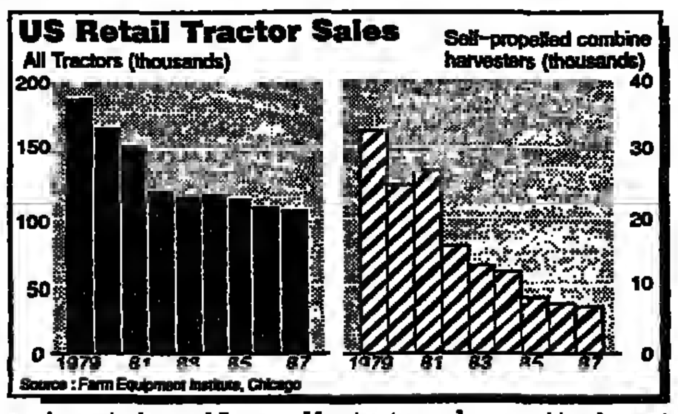
The costs of running an irrigation system are high and soaring commodity prices will not compensata for the additional expense of running the sprays so early in the year.

The still-fragile recovery in the *farm equipment sector will* depend very much on the severity of the drought and how many farmers it affects. The first major impact is expected to be felt in the autumn buying season, when sales of combine harvesters are usually high.

However, the effects of the drought are very localised and in those areas where its grip has been weakest, grain farmers stand to reap substantial benefits from tha highest commodity prices in five years. Even if the dry weather cuts crop yields by some 20 per cent, high prices could make up for the shortfall.

In addition, many farmers will be encouraged to increase their acreage under cultivation to take advantage of higher prices next spring – a move which would boost machinery sales.

This could mean a silver lining to the drought's heat haze, and many analysts are optimistic for the industry's prospects over the longer term, in spite of a slowdown this summer. "Historically, droughts have been good for farm



equipment demand," says Mr John McGinty, analyst at First Boston in New York. "The year after a drought is characterised by strong demand because of higher commodity prices and increased activity."

The farm equipment companies themselves stress that it is too soon to assess the impact of the drought on this year's business. "We've seen no softening in demand from dealers," an official from Deere reports. "There have been some isolated cancellations in the worst-hit areas, but that equipment has been moved on somewhere else."

In fact, as the industry has shaken off the abject depression of the last decade and embarked on a shaky recovery this year, dealers' inventories have been run down to extremely low levels. Deere says some of its dealers have a list of people anxious to get their hands on product.

Mr Van Howling has one new tractor and no combine harvesters in stock and he is awaiting delivery of three combines that were ordered last December.

"Deere's greatest challenge this fall will be to move equipment round quickly to areas not affected by the drought," says Mr McGinty.

Farmers' demand had been outstripping supply in the first half of the year and analysts believe the marketplace is strong enough to withstand deferrals of some purchases.

"In the near term, retail demand will be diminished because of uncertainty amongst farmers about the drought," Mr McGinty believes, "bnt retail sales may not be affected."

In the period 1979 to 1986, unit sales in the farm machinery industry had dropped by 77 per cent as the farm economy plunged into decline. This year was the first to show some improvement – sales of combine harvesters doubled in the first half of the year – albeit from a very low base level, reaching 1,793 units in the first five months of the year, according to US Commerce Department figures.

Deere's sales of farm equipment in its fiscal first half ended April 30 were strong, rising by more than 50 per cent from the same period last year. Farm equipment sales reached $1.93bn, up from $1.28bn, and the company managed to turn s loss of $2.32 a share into a profit of $2.14 *per share.*

Mr McGinty puts Deere's earnings at $4 a share for the full year, which ends in October, up from a loss of $1.47 last year. He is predicting a good year in 1989, when earnings per share should rise to $5.50.

While resting partially on the improvement in the farm economy, Deere's turn-round is also dne to stringent cost-cutting measures and productivity improvements.

Likewise, at Tenneco's Case-IH, cost reductions and improving farm fortunes were expected to boost the machinery manufacturer to break-even this year. "The impact nf the drought is spotty and not affecting overall sales yet," a company official said.

Mr Bob Towler at Towler Equipment in Demitt, Texas, is in an area where farmers are benefiting from higher maize prices. He is currently working with no inventory at all and expects this year's sales to be 10 per cent higher than last year.

Sweeping reorganisation by Polaroid

BY RODERICK ORAM IN NEW YORK

POLAROID unveiled a sweeping reorganisation yesterday aimed at overcoming its flagging performance caused by the decline of the instant photography field it pioneered 40 years ago.

Mr MacAllister Booth, president, acknowledged that the *future* of *tha Massachusetts*-based company lay beyond instant photography .

"We will improve the speed and efficiency of new product development by further consolidating operations," he said. "This will allow us to accelerate the development of new media technologies, electronic imaging and other programmes that our *future* in the *imaging field* depend on."

Most dramatically, it will break sharply with its roots by entering the worldwide conventional film market. It said it had already successfully test marketed films under its own name in Spain and Portugal.

The diversification will pit it against Eastman Kodak of the US and *Fuji Photo Film* of Japan which have been fighting a battle for global markets

ERT plans arms shake-up

BY PETER BRUCE IN MADRID

UNION EXPLOSIVOS Rio Tinto (ERT), the leading Spanish chemicals company, is to hive off its defence-related activities into a full subsidiary after a shareholders' meeting yesterday in which the management of the group effectively changed hands.

Mr Jose Maria Escondrillas, ERT's chairman for the last five years and its rescuer from Pta42bn losses in 1982, has left the company after failing to ward off a takeover by the Kuwait Investment Office, (KIO), and its main Spanish affiliate, the fertiliser company Cros.

The Government made it clear during the fight for ERT earlier *this year that it would not tolerate* KIO's interests having a stake in the local arms industry.

Anthony Robinson on the tough game played by a successful cartel

De Beers sparkles in adversity

THIS MONTH'S nosedive in South Africa's gold and currency reserves and a gloomy outlook for the rand has coincided with sparkling half-year results from De Beers and ambitious offshore plans from Rembrandt to whet the appetite of currency-captive local investors for stocks which provide a currency hedge against the rand.

Top of the list are shares in companies with sizable offshore assets.

De Beers, as well as being a global diamond trader, has a 21 per cent stake in Minorco, the Luxembourg incorporated investment company which has a $1bn cash hoard. Rembrandt, the tobacco, liquor and luxury brands group, has a controlling interest in Rothmans International's cash pile and last month disclosed further ambitions in Europe. Barlow Rand, the industrial and mining conglomerate, has J. Bibby as its UK-based subsidiary.

Next come export-oriented mining companies, despite worries that the inflationary trends which lie behind the decline in the rand are also raising mining costs and eroding profitability, especially on the gold mines and on sanctions-blighted coal mines.

The most favoured mining hedge stocks are those of companies currently benefiting from the base metals boomlet – like Samancor, the manganese producer, or the string of new companies riding high on rising foreign demand for high-quality South African marble.

Institutions and private investors are also eyeing export-oriented manufacturing companies like Sappi, the paper and pulp producer whose new plant in the Eastern Transvaal has come back on stream after an accident last year and is riding a booming pulp export market.

But it was De Beers which highlighted the attractions of a non-rand income flow last week when its London-based Central Selling Organisation (CSO) announced a 41 per cent rise in dollar income to a record $2.2bn over the first half. This translated to a 46 per cent rise in devalued rand terms.

Julian Ogilvie Thompson: steel within the jewel box

The results were ahead of expectations and, according to Mr Julian Ogilvie Thompson, the chairman, reflect satisfactory sales of all grades of diamonds in all main markets, especially Japan and the Far East. Over the last year, Japan has moved from 18 per cent to "22 per cent and rising" of global sales thanks to the strong yen and the domestic consumption boom which has pushed up the number of retail outlets.

Sales in the US, the principal market with 38 per cent of CSO's sales, and Europe, especially West Germany, are also strong across the board, he added.

Against all earlier expectations De Beers not only survived the aftermath of Black Monday but profited from a revival of interest in more tangible assets, including diamonds as the quintessential luxury item. Part of the reason, according to Mr Ogilvie Thompson, was some fancy footwork in the wake of the crash.

The November "sight" (when potential buyers are presented with a package of diamonds of various grades) took place less than two weeks after October 19 and allocations were sharply reduced both at the November and December sights. This, and good Christmas sales, helped restore confidence.

The strength of demand from stock market refugees and from Far Eastern and other markets encouraged the CSO to raise prices 13.5 per cent at the May sight, a practical and psychological confirmation of confidence.

De Beers learnt several lessons from the five-year depression in the diamond business from 1981-86. This led to mounting stocks, bankruptcy for hundreds of diamond investment trusts and traders, CSO defections by Zaire and others, partial own-marketing by Australia, and dumping of polished stones by the Soviet Union.

Senior management now watch carefully for the sort of speculative stocking financed by banks which led to distress sales earlier in the decade. "At present there is no sign of that, lending has broadly kept pace with sales and that means people are using their own money to finance their business," Mr Ogilvie Thompson said.

Banks who got their fingers burned through diamond loans based on trade prices are now encouraged by De Beers to base their loans on the CSO selling prices.

Zaire has come back to the fold, Australia's Argyle diamond producers have experienced the difficulties of own-marketing their share of production and the Soviet Union under Mr Mikhail Gorbachev is now "showing much greater economic realism," he added.

"The Russians are now selling us rough stones which they used to sell as polished. They are showing a more realistic awareness of markets and are less like ivory tower boffins," he said.

As for the growing American disinvestment and sanctions pressures, Mr Ogilvie Thompson believes that De Beers, which does not operate in the US because of antitrust laws, is unlikely to be affected.

"When asked whether the CSO will go offshore, like Rembrandt, or into Minorco I say probably not for a number of frightfully good reasons," he said.

"For a start, it would undo what Ernest Oppenheimer achieved in the 1930s. That was to bring producers and sellers together so they shared the same interest. Separate them and you risk conflict of interest.

"We like to think that people around the world, including other African countries, deal with us because we have proved it is to their advantage."

Behind the carefully cultivated patrician image De Beers plays a tough game when it has to. It is not the world's most successful cartel for nothing. Typically the temptation for weaker members to break away, either openly or surreptitiously, is greatest when the market, like now, is high and rising.

"It is always a temptation. But we bear the costs of our worldwide mining and marketing operations, including advertising which at $120m last year was 4 per cent of turnover. If a certain product does not come through us we are under no obligation to maintain an orderly market," Mr Ogilvie Thompson said in an aside which provided a glimpse of the steel within the jewel box.

In the end, he added: "It is up to us to pursuade people they do better selling through us." On present performance, that looks a much easier task than it did five years ago.

Bell stalls for higher BHP price

BY JOHN McILWRAITH IN PERTH

MR ROBERT Holmes à Court, chairman of the Perth-based Bell Resources, appears to be holding out for a higher price for the company's 5 per cent holding in Broken Hill Proprietary (BHP), Australia's largest company.

Bell Resources said yesterday that a bid, believed to be between A$8 and A$8.20 (US$6.5) for 60m BHP shares had been "received, considered and rejected."

The offer, even at the higher estimate, was well below the market price, which yesterday reached A$8.50 before falling back at the close to A$8.40. Last Thursday, BHP had been quoted at A$8.

Announcing the rejection, one of the bidders, the Australian stockbroker J.B. Were, said it reflected Bell's new view for "the short and medium term." However, the Bell announcement made no reference to a timescale.

Were and Morgan Stanley of the US had jointly bid for the 60m shares.

Yesterday's decision not to sell appeared to have been made by Mr Holmes à Court himself. Earlier it had been suggested in Australia that the decision to dispose of the BHP holding – last week estimated at 8.6 per cent – had been made in consultation with Mr Alan Bond, whose group is likely to become the ultimate owner of Bell Resources.

On Thursday and Friday more than 3 per cent of BHP had been sold for about A$200m, leading to speculation that the entire holding would be disposed of immediately. Now it appears Mr Holmes à Court is willing to gamble on a higher price.

● Shareholders in Metals Exploration and Mid-East Minerals, two companies in Mr Bond's mining empire, yesterday agreed to the sale of various gold interests to other group companies, ahead of the formation of Bond International Gold as a new umbrella, Our Financial Staff adds.

Brambles buys into Metransa

BRAMBLES INDUSTRIES, the Australian transport group which has been expanding abroad, has acquired two thirds of Metransa, Spain's largest private bulk sugar and grain transport company, Our Financial Staff writes.

CTC of France will hold the remainder. The acquisition, from Continental Grain, was made through Groupe CAIB, Brambles' European rail wagon subsidiary.

Western Mining in search for N American growth

BY KENNETH GOODING, MINING CORRESPONDENT

WESTERN MINING, Australia's biggest gold producer, is still actively searching for acquisitions in North America and intends to develop separate substantial businesses in both the US and Canada.

The group spent about A$400m (US$317.4m) late last year to buy four small gold companies, two operating in the US and two in Canada, but it still has more than A$800m of cash available.

Mr Hugh Morgan, managing director, said yesterday that it would only be worthwhile devoting management time to the North American businesses if they were reasonably large, employing assets in the region of A$1bn each. However, he stressed the A$1bn "is a concept, not a target."

Although Western has so far bought gold companies, it was interested in all types of natural resource businesses in North America, Mr Morgan pointed out. "But there are not many bargains available at the moment."

Western started considering investment in North America in May last year as part of its policy to spread the risks inevitably involved in natural resource operations over a number of commodities and geographic areas.

Mr Morgan said his group's home base, Western Australia, was the best place in the world for a mining company to operate but Western was too heavily committed to that area and needed to spread the risks by diversifying elsewhere.

North America offered "a great mining heritage," and Western was there "for the long haul."

In Australia, Western already has three A$1bn businesses: gold, nickel and aluminium. Analysts reckon it is due for a large expansion after taking into account the new North American assets and growth in its home country.

Gold output in the financial year just ended – to June 30 – probably reached 450,000 troy ounces, analysts say, and is likely to top 1m ounces in the current year. Mr Morgan, in London to meet financial institutions, could not comment on the estimates because Western's results will not be announced for another week or so.

Western is also the world's third-largest nickel producer and will benefit hugely from recent record prices for the metal.

For example, the mining team at W.I. Carr, the London stockbroker, estimates that, driven by high nickel and aluminium prices, Western's net profit will rise from A$83.5m in 1986-87 to A$369.7m in the latest financial year.

Mr Morgan pointed out that this coming autumn Western would add copper and uranium to its portfolio of commodities – and gain some more geographic diversification – when the Olympic Dam venture in South Australia started production.

He said customers had been found for all the copper and gold to be produced by Olympic Dam (an annual 46,000 tonnes and 20,000 ounces respectively in the early years) but Western was still seeking customers for some of the 1,900 tonnes of uranium oxide.

Western passed on 49 per cent of the equity in Olympic Dam to British Petroleum in return for the UK company providing all the A$800m required to develop what will be one of the world's leading underground mines.

JAPANESE RESULTS

CITIZEN WATCH
WATCHES, MACHINERY

Year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	266.3	265.5
Pre-tax profits (bn)	13.10	5.39
Net profits (bn)	6.22	3.35
Net per share	19.85	12.95
CONSOLIDATED		

NIPPON SHINPAN
CONSUMER FINANCE

Year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	261.0	256.0
Pre-tax profits (bn)	24.48	23.22
Net profits (bn)	12.59	11.50
Net per share	42.70	39.82
CONSOLIDATED		

KURARAY
TEXTILES

Year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	281.2	269.9
Pre-tax profits (bn)	8.61	6.12
Net profits (bn)	3.70	4.77
Net per share	15.21	20.22
CONSOLIDATED		

TOTO
SANITARYWARE

Half-year to	May 88 Y	May 87 Y
Revenues (bn)	140.5	109.2
Pre-tax profits (bn)	14.04	9.76
Net profits (bn)	6.45	4.54
Net per share	24.22	16.87
Dividend	4	4+1
PARENT COMPANY		

INTL. COMPANIES AND FINANCE

Sara Webb examines the style of Trelleborg's managing director

Rubber king looks to expand empire

NICKNAMED Sweden's "Gummikungen" or rubber king, and respected in local business circles for his adherence to the Electrolux style of management, Mr Rune Andersson has made his mark on the cosy and confined Swedish corporate scene within a relatively short time.

As managing director of Trelleborg since 1983, he has rationalised its traditional core rubber and plastics business and turned it into one of the hungriest groups on the bourse, gobbling up companies at a rate of one a month.

The somewhat sleepy rubber and plastics group, which for many years suffered from low profit growth, has been transformed into a conglomerate with sales last year of SKr17bn ($2.89bn), profits (after financial items) of almost SKr900m and 22,000 employees.

Only five years before, it had sales of SKr1.6bn, profits of SKr19.6m and 5,200 employees.

It is no secret that the 43-year-old Mr Andersson is on the look-out for a major acquisition in a mature business (one with stagnant profits which could do with a shake-up) after Trelleborg's recent success with Boliden, the metals, mining and chemicals group which it turned from a drastic loss to a healthy profit in the space of a year.

Indeed, Trelleborg's latest move was to build a 10.1 per cent stake in SKF, the world's leading roller bearing group, in recent weeks with a view to "something more substantial" as one company representative put it. The US is a high priority area for expansion for Trelleborg as a means of achieving the necessary currency balance.

"Our strategy is to be big in a few sectors," Mr Andersson has said in the past.

During the last five years, he has concentrated on niches in the industrial rubber and plastics industry. "If you are in a mature business in a stable or declining market, the growth is limited — just 1 or 2 per cent. So you have to go into specialised market segments which can perhaps give a 3 to 5 per cent increase, and you have to combine this with acquisitions," he says.

This meant concentrating the rubber and plastics business in specialised products and the distribution of standard products and then strengthening these with key acquisitions — such as Gooddall Rubber, the US industrial rubber distributor — in order to achieve market dominance and a tough control over the distribution side.

"We seldom acquire a very profitable company," says Mr Andersson, who learnt the art of picking up unprofitable companies cheaply and then putting them back on their feet during his time as a division head at Electrolux, the white goods giant.

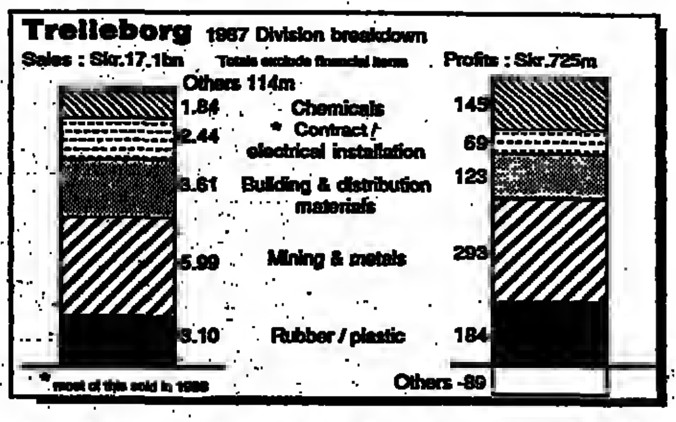
Boliden was the first big target — though there were almost no synergy effects apart from the fact that Trelleborg is a major supplier to the mining industry. "We saw it more as a management problem, going back to basics," says Mr Andersson.

Trelleborg acquired a controlling stake in Boliden in 1986 (while officially denying that it planned to take over the entire company) at a time when Boliden was a hotch-potch of ill-assorted businesses. Boliden itself had recently acquired Ahlsell, a mixed trading and industrial group.

Mr Andersson was quick to install his right-hand man, Mr Kjell Nilsson, as managing director of Boliden, and the new management decided to return the loss-making group to its basic business areas of metals, mining, and chemicals.

So they sold off or closed down several unrelated fringe businesses such as its integrated systems, kitchens and white goods, medical and dental care services and (more recently) its electrical installations companies.

They cut almost 2,000 jobs, improved Boliden's efficiency, and returned it to a profit of SKr600m in 1987 when just over a year before it had been losing SKr1.5m a day.



Mr Andersson and Mr Nilsson decided to build Boliden's mining operations both at home and abroad with the acquisition of part of Allis-Chalmers, the US manufacturing group, for about SKr600m.

The units they bought make equipment for mineral dressing and treatment and include subsidiaries in Sweden, Canada, the US, Brazil, Australia, France and the UK.

"There were enormous synergy effects between Boliden and Allis-Chalmers. It is also favourable because Allis develops equipment which we can test in Boliden's mines," says Mr Andersson.

Today, Trelleborg is organised into four main business areas (including Boliden's operations): rubber and plastics, metals and mining, building products, and chemicals.

Despite the achievements, there are still worries. The metal operations remain susceptible to dollar and price fluctuations, and face weak growth in demand. In Sweden, tougher environmental regulations could entail high costs for the mining industry (chiefly copper, zinc, silver and complex ore).

As a result, Boliden's new management has started to expand its mining activities outside Sweden in countries such as Saudi Arabia, Greenland and Spain, and is eager to develop the consultancy side.

Mr Andersson believes there is scope for expansion in the chemicals business, particularly on the water treatment, and pulp and paper chemicals side.

Analysts attribute part of Trelleborg's recent success to Mr Andersson's management style. Though he eschews management tomes and courses, he is a firm believer in sound management thinking.

"What matters more than technological developments in the rubber industry is the management and business thinking. This business concerns people more than technology so it is the organisation and wage system that make a difference. There is only one way to make a rubber hose, but if you have a very ambitious salesman you win the race," he says.

He believes in a decentralised organisation "which means we can expand rapidly," and says his divisional heads must not be afraid of taking decisions without first consulting the group management.

He also believes in keeping tight control over costs — to the extent that he once checked his employees' petrol coupons to make sure they tallied with the number of miles driven and that no one was cheating the company. It may not have proved popular, but when outsiders talk of a shrewd and tight-fisted businessman, they mean it as a compliment.

Banco Hispano's turnaround on target

BY TOM BURNS IN MADRID

BANCO HISPANO Americano, the Spanish bank which is 10 per cent owned by Commerzbank of West Germany, showed yesterday that its turnaround was on target by announcing an 82 per cent rise in first-half profits.

Pre-tax profits for the period were Pta15.7bn ($129.2m). Consolidated pre-tax profits of the Hispano Americano group rose 70 per cent to Pta23bn.

The bank completed a three-year restructuring programme at the end of last year which involved major allocations for raising reserves and for providing pension funds and country loan risks.

In 1985 it had been forced to omit its dividend, but at the beginning of this year it was able to increase its 1987 payout from Pta60 per share to Pta100.

By fulfilling a year ahead of schedule a set of new pension fund commitments ordered by the Bank of Spain and by raising risk cover, Hispano Americano said confidently last January that it was "well placed to produce high profits in the future."

Yesterday's figures showed Hispano Americano's operating income was 29.8 per cent higher at Pta233.1bn and that cash flow grew by 21.7 per cent.

● Meanwhile, Banco Espanol de Credito (Banesto) and Banco Central have set up a joint holding company, BECC Holding, to supervise their merger. Mr Alfonso Escamez, Banco Central chairman, will be president.

Strong demand boosts International Paper

BY JAMES BUCHAN IN NEW YORK

INTERNATIONAL Paper, which is leading a vigorous revival in the US pulp and paper industry, doubled its earnings in the second quarter ended June thanks to continued strong demand for its commodity paper grades and excellent operating conditions.

The New York City company, which is the market leader in the $80bn US paper and forest products industry, said yesterday that earnings for the quarter rose from $90m or 80 cents a share to $188m or $1.64. Sales, which were boosted by revenues from new acquisitions, rose 26 per cent to $2.4bn.

Mr John Georges, chairman, said the earnings improvement was due to "continued strong demand for nearly all our products and the price increases we have realised on all our major lines."

In common with the rest of the industry, International Paper has enjoyed two years of soaring earnings thanks to the strength of the economy and the favourable dollar exchange rate.

With its mills operating at near capacity, International Paper has this year pushed through price rises of up to $50 a ton each quarter in some of its coated and uncoated paper grades.

Mr Georges said the company expects "steady, moderate improvement in earnings for the balance of the year." In the first six months, earnings doubled from $180m or $1.62 a share to $347m or $3.02 on a 27 per cent rise in sales to $4.70bn.

Finans Vendor to be sold

BY SARA WEBB, STOCKHOLM CORRESPONDENT

INVESTOR and Providentia, the two Wallenberg holding companies, have agreed to sell most of Finans Vendor, their jointly-owned Swedish finance company, for between SKr350m-SKr400m ($55m-$63m) because of tough competition in the finance company market.

Finans Vendor is one of the larger independent finance companies dealing in private and corporate business, which claims to rank fourth or fifth in Sweden.

The buyer is Trygg Finans, the finance company controlled by Trygg-Hansa which is Sweden's second largest insurance group.

The deregulation of the Sweden's financial markets has led to increasingly tough competition between the banks, the independent finance companies and those owned by banks.

Investor/Providentia said that, in view of these developments, they had expected profits from Finans Vendor to decline, but felt it would have a stronger position with the support of Trygg-Hansa's large marketing network.

Quantitative Analyst

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Narrow trading ahead of testimony by Fed chief

BY DOMINIQUE JACKSON

EUROBOND MARKET operators are awaiting testimony by Mr Alan Greenspan, US Federal Reserve Board chairman, to the Senate banking committee later today, which could set a clearer short-term direction for the dollar and bond markets.

Prices in most sectors remained locked within narrow ranges yesterday in continued low and nervous trading. The foreign exchanges offered little in the way of trading incentives and most operators are still wary of taking major positions ahead of Friday's US trade figures for May.

In West Germany, dealers were surprised when the Bundesbank failed to lift the interest rate on its latest round of securities repurchase agreements to 4 per cent, from the current 3¾ per cent rate.

However, the news failed to move the market significantly and government bond prices drifted to finish narrowly mixed while Eurobond prices were marked slightly better where changed.

In Switzerland, the banks raised their short-term customer time deposit interest rates by ¼ per cent. This depressed primary market prices with the recent World Bank SFr150m issue slipping to trade bid at a discount of 2¾.

Given this secondary market scenario, it was hardly surprising that primary activity was virtually confined to equity-linked deals.

However, Austria's Creditanstalt-Bankverein led a seven-year dollar straight issue for itself at 9⅛ per cent and 100⅛ for a total of $100m of which $50m will be issued immediately, with the remainder to be sold through a tap.

The issue marks the transfer of the bank's non-European hard currency new issue business to its London branch office and the expansion of its international capital market activities. Creditanstalt is majority owned by the Republic of Austria.

The new deal was priced to yield 43 basis points (hundredths of a percentage point) over comparable US Treasury issues. About $175m worth of outstanding Creditanstalt paper will be redeemed this month which is expected to further fuel demand, largely from the Continent, for the new deal. It was bid at a discount of 1.70 against fees of 1⅞.

UBS Securities led a $100m convertible deal for Espirito Santo Financial Holding, the Luxembourg-based holding company for an international banking and insurance group with the bulk of its assets in Portugal. The issue was first mooted a few weeks ago when it was intended

INTERNATIONAL BONDS

to be a total $70m deal. As a result of good investor demand, largely from Continental Europe following a roadshow, the total amount was increased.

One of its main attractions was reported to be the opportunity offered via the issue of indirect exposure to Portugal, which has been exciting substantial interest recently, although many investors remain wary of committing themselves to the Portuguese Stock Exchange.

The issue has a final maturity in 2003, the coupon is currently indicated between 6 and 6½ per cent and the conversion premium at 12 to 15 per cent. There is an investor put option after five years.

A crop of Japanese equity warrant deals also surfaced. They included a $240m five-year deal with an indicated 4⅞ per cent coupon for Hitachi Metals via Nomura International.

Daiwa Europe led a $200m five-year issue with the same coupon indicated for Kao Corporation, the Japanese detergent and toiletries company, while New Japan Securities brought Yaohan department store to the sector with a $100m warrant deal also with a five-year maturity and 4⅞ per cent coupon indicated. The deal follows Monday's SFr80m convertible deal for the same borrower.

Nomura led a $50m straight bond for a financing unit of Intel Corporation. The bond has a mere one-year life, carries a 10 per cent coupon and is priced at 102⅛. It is not expected to trade widely.

Late in the day Hambros Bank led a NZ$60m issue for BNP Pacific (Australia) which is guaranteed by the parent Banque Nationale de Paris. BNP Capital Markets is co-lead on the three year 14¼ per cent issue at 101⅜. It was bid at a discount equal to its 1½ fees.

Deutsche Bank was the lead manager on a DM400m issue for Japan's Nippon Telegraph and Telephone. The seven-year issue carries a 6 per cent coupon and is priced at 101⅛. Dealers said the issue was fairly priced and compared well with a recent deal for the Japan Development Bank. However, the issue did not benefit from the less than sparkling tone of the secondary market. It was bid at a discount of 2.30 against fees of 2¼.

Commerzbank led a DM150m issue with equity warrants for Hispano Americano International, a unit of Banco Hispano Americano which itself is 10 per cent owned by Commerzbank. The five-year issue is priced at par and the coupon is 2⅝ per cent. It was bid at 103.

Banque Paribas (Suisse) led a SFr30m convertible deal for Japanese packaging company Teraoka Seisakusho, a 5⅛-year issue on which the coupon is indicated at ⅝ per cent.

Banque Julius Baer was the lead manager on a SFr50m five-year convertible for Keihin, a warehousing and transport company. The issue price is par and the coupon is ¼ per cent.

● The issue of variable-rate notes for National Westminster Bank via Merrill Lynch reported yesterday was for a total of $200m and not in Eurosterling as stated.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 12

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; § above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Amsterdam in drive to lift financial profile

PLANS TO increase the attractiveness of Amsterdam as an international centre of high finance will be drawn up before the end of the year by a working party led by McKinsey, the international management consultants, Reuter writes from Amsterdam.

According to Mr Wim Duisenberg, president of the Dutch Central Bank who will take the chair, the working party will comprise key representatives of the stock and options exchanges as well as government departments, banks and insurance companies.

An official for the bank said: "With 1992 and other developments coming up we have to develop a plan to convince the rest of the world it is good and useful to do financial business in Amsterdam. We have to identify bottlenecks and come up with a plan to make this market attractive, despite growing competition from centres such as London, Frankfurt, Paris and Madrid."

The bank added: "Amsterdam has an age-old tradition as international focal point for financial services. Defending and strengthening this position requires a co-ordinated approach, taking into account all parts of the financial services market and the infrastructure that supports it."

Among the working party's members, the statement listed the chairmen of the Amsterdam bourse and European Options Exchange, top executives of all leading Dutch commercial banks, key civil servants at the finance and economics ministries, insurers, tax advisers and also the mayor of Amsterdam.

The initiative comes at a time of radical reform in Dutch financial markets.

The Government recently announced plans to overhaul supervision of financial markets along the lines of the Securities and Investment Board in the UK, and it has introduced a new insider trading law that is under debate in parliament and is expected to take effect next year.

The Amsterdam bourse is discussing with Dutch listed companies plans to cut anti-takeover protection and is looking to introduce fixed-date settlement. It has introduced new bond underwriting and issuing rules and work is under way to launch screen-based securities trading on the bourse in September.

First Boston in licence deal with Kidder Peabody

By Our Financial Staff

FIRST BOSTON Corporation is to license its global trading and clearance systems to Kidder Peabody. The two securities firms will work together on an enhancement of the system to include retail capabilities.

First Boston will lease space to Kidder Peabody for computing equipment at First Boston's soon to be completed Plainsboro, New Jersey, data centre. The arrangement will result in reduced costs while preserving the security of the two firm's proprietary data.

Among the benefits of the system are the ability to create new products more rapidly, 24-hour global trading capability, more accurate management information, and reduced development, maintenance and operational costs.

Kidder Peabody said: "The savings in terms of development cost and time versus doing the job by ourselves are very substantial."

US health care group attracts buying interest

By Our Financial Staff

COOPER COMPANIES, the diversified US health care group, says "independent third parties" have indicated interest in buying each of its three principal businesses – optometric, ophthalmic surgical and diagnostic – AP-DJ reports from Palo Alto.

Cooper says that it and Morgan Stanley, the investment banker specifically engaged to sell each of the company"s principal businesses or the company as a whole, are beginning discussions and negotiations with certain parties in order to be able to propose specific transactions to the independent special committee of Cooper's board within 30 days.

Cooper adds that, in the meantime, although cash flow appears adequate to finance the company until the completion of the sale of one of its principal businesses, it expects to complete within the next few weeks the previously announced $40m of bridge financing.

Stephen Fidler on the UK bank's approach to Third World borrowing

Midland's widening debt crisis focus

BANKERS ARE seeing opportunities emerge out of the ashes of the Third World debt crisis. While many of them would prefer to be without their loans to rescheduling countries, there are those who are making a virtue out of necessity.

Rescheduling agreements, such as that announced last month for Brazil, are providing a growing list of options for banks interested in converting their loans into other instruments.

Conversions of loans into equity in local companies are now common in many countries, with Brazil currently providing the scheme of main interest among international banks.

In the Philippines and Chile, for example, portfolio investment funds have been established for banks to convert loans into shares of local companies. Growing numbers of schemes involve the conversion of loans into local currency or dollar-denominated bonds, while a debt-for-goods plan is being contemplated in countries such as Brazil and already operates in Peru.

In using these programmes, the developing countries themselves are, for the most part, aiming to reduce their overhang of debt and take advantage of the discounts to face value at which many banks are willing to sell their loans. For banks, there is the chance to use their troublesome exposure to these countries as leverage for profitable business.

"Banks are slowly working out that there is life after the Third World debt crisis. There are lots of good companies in Latin America and many of the multinationals have a large presence down there," said one London-based banker.

Hitherto, most large banks have approached the question on two tracks. On the one hand, there has been the traditional "commercial banking" team which deals with rescheduling, new money requests and handling the tax and accounting aspects of the loans.

Sir Kit McMahon: kept out of industrial investment

Jacques de Mandat-Grancey: cannot pull out

On the other have been merchant bankers, handling corporate finance and looking for ways to solve problems for clients in the rescheduling countries. They have more recently been linked with another group, participating in the growing secondary market in Third World loans.

Some banks now believe that this approach risks developing an unco-ordinated strategy towards Third World debt, with one arm of the bank unaware of what the other is doing. Somwe US banks, for example Bankers Trust and Chase Manhattan, have already moved to bring large parts of their developing country business into one department.

Now, Midland Bank has apparently become the first European bank to bring its developing country business under one division. The division will be responsible for all the bank's business in Latin America and the Philippines and for the debt-related business in other developing countries with debt repayment problems.

The bank's total exposure at year-end to these countries was £4.1bn ($6.9bn), £1.2bn of which was outstanding to Brazil and £1bn to Mexico. The department, with 300-400 staff worldwide, will be led by Mr Jacques de Mandat-Grancey, aged 47, previously finance and support director for Midland Bank global financing sector.

In a related move, the bank is bringing Mr Peter Burnell, a director of Charter Consolidated with broad experience of operating industrial projects in less developed countries, as a developing countries industrial adviser.

"So far, we have kept our operations strictly in the financial sector on the basis that we knew something about that . . . and we have kept out of industrial investment," Sir Kit McMahon, Midland's chairman, said.

Mr Burnell's appointment was to address that potential deficiency in the Midland structure and to avoid the chairman's "nightmare" that debt-to-equity swaps would leave the banks in a few years' time with "a lot of dud hotels and cement companies."

The new division will have five groups, comprising the banks' offices in Latin America, and teams responsible for rescheduling, investment banking, industrial investment, and an actively managed accounting and taxation sector.

The bank envisages that its portfolio of Third World loans will be more actively managed than in the past. Although the aim is gradually to reduce its exposure to these countries, the bank sees no conflict between this and playing a part in resolving the Third World debt crisis.

Midland, along with Mitsubishi Bank of Japan, will be joining as additional members of Brazil's bank advisory committee, now 14 strong.

Said Mr de Mandat-Grancey: "We are there and we can't pull out." However, that should not prevent the bank from using its loan portfolio as leverage into other potentially-profitable businesses.

From Midland's point of view, the move allows it both to use its offices in the key Latin American countries – necessary to keep track of critical local developments – and the skills it has in its Montagu merchant bank arm.

Banks have long spoken of the country-by-country approach to the debt and there is increasingly a line being drawn between groups of creditor banks, differentiated by their level of exposure, nationality, branch networks and in-house skills. More banks are likely to go the Midland route and consolidate their Third World business in one division, but it is not the solution for all.

Saudi Arabia puts forward bond repurchase scheme

BY OUR FINANCIAL STAFF

SAUDI ARABIA has introduced a repurchase programme for new government bonds to make them more attractive to the kingdom's banks.

From the beginning of next month, the Saudi Arabian Monetary Agency (Sama) will repurchase up to 10 per cent of the value of newly issued bonds in a bank's portfolio. The sum must not exceed SR100m ($27m) during any 28-day period. Sama will fix the repurchase price daily.

The effective underwriting comes at a time when the kingdom is running into sticky demand on bonds issued to finance the national budget deficit, estimated at about SR40bn for 1988.

The Government introduced its "development" bonds last mooth. So far the offerings have been undersubscribed.

Earlier this week, banks submitted bids for the third SR1.5bn tranche, which they said was likely to have had the weakest response yet.

The issues represent the first major government borrowing in 25 years.

They are expected to be issued in SR1.5bn tranches with one to five year maturities once every two weeks.

Bankers said high interest rates on the riyal interbank deposit market and questions about the banks' ability to resell the bonds were likely to have dampened enthusiasm for the latest offering.

Davy halved to £10.5m after plant provision

BY CLARE PEARSON

TECHNICAL PROBLEMS with a West German plant caused pre-tax profits of Davy Corporation, engineering and construction group, to emerge at almost half the previous year's level in the 12 months to March 31 1988.

Profits came out at £10.5m (£20.3m) after a £17.25m provision for Davy's share of modernisation costs of a flue gas desulphurisation plant. Profits in the previous year were struck after making a provision of £7.4m - the purpose of which was not revealed at the time.

Most of Davy's operating divisions performed poorly in 1987-88, with trading profits of the core engineering and construction activities emerging at £23.47m (£27.01m).

Nevertheless, Lord Jellicoe, chairman, said he looked forward to the current year with confidence. The recommended final dividend is 4.25p (4.75p), making an unchanged 6.25p for the year.

Lessons learnt from the Buschhaus desulphurisation plant for Braunschweigische Kohlenbergwerke meant similar new plants could be built with only a marginal extra cost to the customer compared with the previous model, Lord Jellicoe said.

Although trading conditions were competitive, the forward workload across all areas of Davy's business was now about 15 to 20 per cent ahead of levels at this stage last year.

The company is receiving an encouraging level of enquiries from the US steel industry, while in China, it has won an order worth about £35m to install aluminium rolling mills. Davy has also received two orders for blast furnaces from South Korea, and in the UK, there is a contract to build a pharmaceuticals plant in Kent. North Sea work is showing signs of recovery.

Last year's trading profits of the UK engineering and construction companies were hard hit by a reduction in demand for offshore work and emerged at £10.32m (£19.53m).

US companies incurred a £834,000 deficit, reduced from £2.89m last time. The company has now closed its plant at Lakeland, Florida, in the face of poor demand from the phosphate industry.

However, trading profits of manufacturing and services companies - which comprise services to engineers, foundries and forges, and mechanical handling - improved to £5.37m (£4.83m).

In a first full year's contribution, A. Monk, UK building and civil engineering company, made £2.39m. This compared with £1.34m in the previous results - which represented only five months of full ownership.

Turnover amounted to £796.28m (£711.82m). Profits before the exceptional item were £27.73m (£27.68m), after a lower finance charge. There is a £2.94m (£4m) extraordinary charge for the closure of the Florida plant.

Roger Kingdom (left), chief executive, and Lord Jellicoe, chairman.

● comment

As the market was warned of the £17.25m provision back in May, Davy's shares were unmoved yesterday by these truly ghastly results. And - famous last words? - there seems to be genuine grounds to expect a recovery from a very low base. The chief reason is that Davy is well-placed to benefit from improved market conditions for the steel industry, and should pick up at least some of the orders to upgrade plant in the US and the Soviet Union. Meanwhile, South Korea and China are proving fruitful. Analysts were infuriated by the company's decision to 'hide' the £7.4m provision for the West German plant in the 1986-87 accounts, but assume Davy would not dare to make such a move again. Nervously, they yesterday increased their profits forecasts for the current year to £25m, putting the shares on a comfortably low prospective p/e of about 7.5.

Ford Sellar £5.7m turnround

BY RAY BASHFORD

Ford Sellar Morris Properties yesterday reported a £5.7m turnround with pre-tax profits reaching £3.5m during the 15 months to April 30.

The figures compare with a £2.2m loss in the previous 14 months.

The result reflected a change in the focus of the company's operations to a property investment and development group.

This continued yesterday with the announcement of the sale of Barrie Menswear, which trades under the Review banner, to Amber Day Holdings.

Amber Day paid £5.53m for the 13-outlet chain and will finance the cash purchase through the placement of 13m ordinary shares.

The sale will allow FSM to concentrate on its property activities which were expanded greatly last March through the £45m purchase of Centrovincial Estates from Singer and Friedlander, the merchant banking and property group, and the acquisition last May of a parcel of small department stores owned by House of Fraser for £6.5m.

The latest figures, which have not been audited, also show a growth in turnover from £9.2m to £16.9m during the 15-month period.

Extraordinary items fell from £4.4m to £1.4m.

A recommended final dividend of 1.5p makes a total of 2.5p for the year.

Directors said the sale of the Review chain would reduce borrowings to £33m.

The figure should fall to £15m by the end of October when additional disposals will have been completed.

In terms of floor space, the company's property development portfolio comprises two-thirds retail and one-third office and commercial.

Plans are well advanced for development in several southern English town centres, including Salisbury, Torquay and Worcester.

All round growth gives AMI £10.7m

IN THE nine months ended May 31 1988 AMI Healthcare Group lifted turnover from £69.5m to £80.6m and pre-tax profits from £8.4m to £10.68m.

The group continued to expand and extend its activities, and was responding to increased pressure on margins, the directors stated.

With the proceeds of the February flotation reducing borrowing costs (from £4m to £2.7m in the period) they were confident for the full year.

Earnings came to 12.5p (11.8p). A dividend of 3.3p has been forecast, payable in January.

Growth had been strong in all markets, with UK patients constituting 93 per cent of in-patient admissions. Some 20 per cent of them were paying for their own treatment rather than coming through insurance backed schemes.

The proportion of major and complex operations rose to 30 per cent of total surgical workload.

Increased salaries to nursing and clinical staff in all hospitals from April 1 will have a significant impact on short term profitability, but that was being reduced by improved productivity and adjusting price levels.

Howden Group confident after recovery to £10m

BY VANESSA HOULDER

Howden Group, Glasgow-based engineering company that last year was dragged down by problems at its Californian wind park and compressor business, yesterday announced a sharp recovery in pre-tax profits from £140,000 to £10.18m. The result was scored on turnover up just 5 per cent to £160.2m.

Mr Johnny Johnsen, chairman, attributed the improved performance to four main factors - benefits from re-organisation and rationalisation measures; the solution to wind park problems; a turnround in profitability at Howden Compressors, and good profit contributions from the air and gas handling and defence equipment businesses.

Mr Johnsen added that he was confident of further advances in the short term. In the medium and long term he was encouraged by the prospect of significant orders from power utilities throughout the next decade.

The company spent £15m on acquisitions in the year, the principal purchase being the Davidson Group, as a result of which Howden claims to be the world's leading manufacturer of large fans. Howden is still looking for acquisitions in each of its divisions.

The order intake was considerably higher than that achieved for a number of years, Mr Johnsen said. The breakdown of orders received in 1988 comprised: air and gas handling equipment £69m; defence equipment £45m; general engineering products £46m, and food equipment £3m.

Borrowings totalled £18.1m (£7.1m) at the year end, while interest paid amounted to £1.6m (£56,000).

Earnings per share increased from 1.8p to 8.7p. A proposed same-again final dividend of 2.57p leaves the total unchanged at 3.85p.

● comment

The disasters of 1987 have now been consigned to history and this year's impressive recovery looks set to be followed by a period of solid growth. In the short term, there should be plenty of benefits to be squeezed out of the integration of Davidson, as well as from the all-round health of the order book. Looking further ahead, the company should benefit from the resurgence of demand and retiring of plant in the power industry. Analysts expect profits of £15.5m this year, which puts the shares, down 2p to 124p, on a multiple of 10, fair value.

Murdoch's 20% stake in Pearson cleared

By Raymond Snoddy

Trade and Industry Secretary, Lord Young, yesterday cleared Mr Rupert Murdoch's stake of just over 20 per cent in Pearson, the information and industrial group which owns the Financial Times.

Lord Young said yesterday that he had decided not to refer the News Corporation acquisition to the Monopolies and Mergers Commission.

The Trade and Industry Secretary's interest in the affair was seen yesterday as being significant. Pearson made it clear that it had not requested such intervention.

The Office of Fair Trading was asked by Lord Young to look into the controversial acquisition to decide whether the 20.5 per cent stake gave Mr Murdoch "material influence" over how Pearson's business affairs were conducted.

If Mr Murdoch had acquired more than 25 per cent of Pearson it would have led to an automatic reference to the Monopolies and Mergers Commission under separate regulations designed to prevent undue concentration of ownership in the UK national newspaper market.

Mr Murdoch, chief executive of News Corporation, already owns five UK national newspapers - The Times, The Sunday Times, The Sun, News of the World and Today.

Soon after Mr Murdoch increased his stake from 14.9 per cent to just over 20 per cent at the beginning of this year, Lord Young told journalists in New York he did not foresee any circumstances in which Mr Murdoch would be able to take control of the Financial Times in addition to his existing papers.

Sir Gordon Borrie, Director General of Fair Trading advised the DTI that there was no evidence that Mr Murdoch was exercising material influence on Pearson and recommended against a reference - a view that was accepted by Lord Young.

In January News Corporation issued a formal statement saying it had no present intention of increasing its aggregate shareholding in Pearson above 25 per cent or making an offer for the company.

"News Corporation would not contemplate either of these courses of action during the next 12 months in the absence of a material change in the circumstances of Pearson," the statement said.

Hughes Food buy

Hughes Food is paying £1.55m in shares and cash for Wm. Milne and its three trading subsidiaries. In the year to February 29, Milne made pre-tax profits of £195,888 on turnover of £2.4m. Net assets at that date stood at £1.54m.

Saatchi rights issue

Saatchi and Saatchi shareholders accepted 64.7 per cent of the advertising group's £176.4m rights issue of convertible preference shares.

Williams Holdings locks up 3.9% stake in Yale and Valor

BY CLAY HARRIS

Williams Holdings, diversified industrial group, said yesterday that it had bought 3.9 per cent of Yale and Valor, locks and domestic appliances company.

The announcement confirmed recent market speculation, but Yale shares lost 3p to 426p, to value the company at £463m. This reflected Williams' disclosure that it had stopped buying shares several weeks ago at 300p.

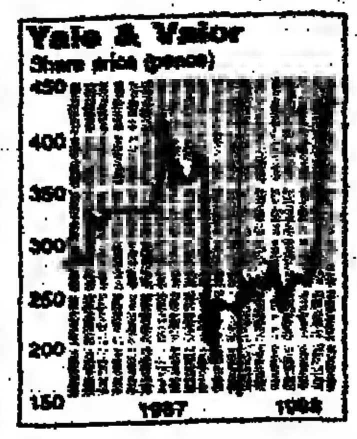
Williams said the stake, which was built up through a number of nominee accounts, was only one of a number it holds in quoted companies.

"At less than 300p, it was considerably undervalued," said Mr Nigel Rudd, Williams chairman. Referring to the market as a whole, he added: "There's never been such a disparity between the traded value and the perceived value of stock."

This was especially true for companies with established brands "whether chocolates or gas cookers". Williams intended to "leverage that knowledge" to make a profit for shareholders, Mr Rudd stated.

Mr Michael Montague, Yale chairman, had a terse public response to the news: "I'm glad that what we all anticipated is identified." Mr Rudd said, however, that the two men had "exchanged pleasantries" when he rang to confirm the stake.

The recent sharp rise in Yale shares reflected not only the rumours of stake-building but also growing admiration for the group's audacious £283m takeover of the US Yale locks and security group and the NuTone household appliances company last year.



The acquisition quadrupled the size of the original Valor company. Last month, Yale reported pre-tax profits of £34.5m on turnover of £386m for the year to March 31.

Williams, formerly an engineering group, has moved strongly into consumer and building products in recent years with acquisitions including Crown Paints and Polycell from Reed International, and the Berger paints business of Hoechst, West German chemicals company.

Only once has it tried and failed in a hostile bid, a £570m offer for Norcros, another industrial conglomerate, in April 1987. At yesterday's closing price of 280p, Williams is valued at £853m, excluding outstanding convertible preference shares.

BOC reveals details of carbon graphite disposals

BY CLAY HARRIS

BOC Group, industrial gases producer, is to receive $152m (£89m) from the sale of two carbon graphite plants, a needle-coke facility and its calcium carbide business in the US, to a management-led leveraged buy out.

The final terms, disclosed yesterday, are in line with an outline deal announced in March. The agreement completes BOC's US withdrawal from carbon graphite, the main use of which is electrodes for electric arc furnaces.

Along with the previously announced sale of another US carbon graphite plant to Showa Denko of Japan, BOC expects to receive a total of $252m from the disposals. It will use the proceeds to reduce group debt.

In the latest deal, BOC will get $100m in cash, $43m in loan notes and $9m in preference shares convertible into 20 per cent of the equity of the new company, The Carbon/Graphite Group.

Rexmore rises to £1.75m

STRONG GROWTH has continued at Rexmore, fabric and timber supplier, and for the year ended April 2 1988 pre-tax profits doubled to £1.75m, from £881,000.

Earnings rose to 7.21p (4.71p) and the final dividend is 1.25p for a 1.8p total (1.2p).

Turnover of the group, which serves the upholstery, bedding and household textils markets, rose from £37m to £51.2m, generating an operating profit of £2.38m (£1.36m). All divisions improved their performances.

Trading profit came to £2.06m (£1.14m) with upholstery contributing £986,000 (£904,000), textiles £607,000 (£98,000), and timber £464,000 (£135,000).

The directors said the group had achieved encouraging improvement in profitability last year and turnover for the first quarter this year was well ahead.

Gandalf presses CASE to accept offer

BY CLAY HARRIS

Gandalf Technologies yesterday held out the possibility of increasing its £57m offer for CASE Group if the UK computer company decided to recommend the takeover.

"If CASE would like to have a second thought and recommend the offer, I'd obviously increase the bid," said Mr James Bailey, president of the Canadian-based, but London-listed, data communications company.

As Gandalf published its latest offer document, pouring scorn on CASE's defence arguments, Mr Bailey also stepped up his pressure on the target company to produce a profits forecast for the year to next March.

"If they can't come out with a profits forecast," we believe they've got a very poor case indeed," Mr Bailey said. Under takeover rules, CASE has until Saturday to publish such a figure, and Gandalf another week after that to table a higher bid.

Gandalf claimed yesterday that CASE, as a small niche player, was unlikely to have the resources to become a major international force.

CASE responded by saying that Gandalf's document "offered nothing new but merely reiterates ill-conceived arguments" - principally that "size for the sake of size" was a valid strategy, and offered no substantial benefits to customers or shareholders.

Gandalf had not answered the questions concerning its erratic earnings record, CASE added.

CASE shares closed 1p lower at 90p, compared with the 92p value of Gandalf's cash-and-shares offer.

Sims Butchers expands to £2m

Sims Catering Butchers reported pre-tax profits of £2.11m on turnover of £58.77m for the year to end March. The USM-quoted company made a number of acquisitions and proposes changing its name to Sims Food Group.

Last year pre-tax profits were £633,000 on turnover of £12.91m. Earnings per 5p share for 1987-88 were 15.68p (10.25p) and a final dividend of 5p (3.2p) is proposed making a total of 6.9p (4.4p).

There was an extraordinary credit this time of £521,000.

Parkfield advances 60% to £15m

BY ANDREW HILL

PROFITS AT Parkfield Group, the conglomerate with interests ranging from foundries to video distribution, increased 60 per cent to £15.2m in the year to April 30, compared with pre-tax profits of £9.51m in 1986-87, restated on a merger-accounting basis.

Turnover rose from £154m to £219m and earnings per share from 17.2p to 24.2p. The board is recommending a final dividend of 5p, more than doubling the full-year dividend to 7p (3p).

Mr Roger Felber, chairman, said about £11m of profit before central costs was generated by the manufacturing subsidiaries and some £6m by the distribution business.

Losses of £700,000, relating to strikes at Land Rover and Ford, and £400,000, following fire and flood at two of Parkfield's automotive plants, were taken above the line. An extraordinary loss of £431,000 mainly represented the cost of taking Parkfield from the USM to the main market.

During the year the foundry operation won a contract to supply cast-iron lining segments for the Channel Tunnel. This contributed some £3m to sales of £16m at Parkfield Foundries during 1987-88, and Mr Felber expected turnover there to rise to £22m in tha current year, of which about £8m would beaccounted for by the tunnel contract.

The video and compact disc distribution business was expanding, said Mr Felber, with Parkfield obtaining exclusive distribution contracts for some products.

● comment

Fire, flood and strike threatened to hinder growth at Parkfield last year, but restated earnings still grew by over 40 per cent. Capital expenditure nearly doubled to £11m (£6m) last year. Although some in the City were surprised to find all the cash from the recent £29m rights issue exhausted – a further £20m was ploughed into working capital – they could hardly grumble at the results and marked up the shares 8p to 265p. Among other things, the investment strategy should allow Parkfield Foundries to compete for future tunnel work when the current contract expires. Mr Felber also intends to go on trying out new business areas on a small scale – unlikely as it sounds, the group is apparently investigating agriculture as a possible new activity. Meanwhile there are at least two or three years of good growth left in the existing operations, especially as manufacturing customers are now signing longer term contracts. Forecast pre-tax profits this year of over £25m put the shares on a prospective multiple of about 10.

Stock market crash hits Microgen at six months

BY DAVID COHEN

THE OCTOBER stock market crash resulted in slower growth at Microgen Holdings, a computer bureau services company, for the six months ended April 30. Fee income from the Stock Exchange, Microgen's major client, fell because of the sharp fall in the number of share transactions.

For the six months Microgen's pre-tax profits rose by 12 per cent to £5.1m, against a 35 per cent increase in the comparable period last year. Mr Patrick Barbour, chairman, expected growth to stay at the same level in the second half.

Over 80 per cent of sales and profits come from providing computer output microfilm bureau services (COM), of which Microgen has about 60 per cent of the UK market.

The dividend is increased to 2p (1.5p). Turnover was ahead 13 per cent to £18.3m, of which the UK accounted for 60 per cent.

● comment

The year is adding up to a lamentable one for Microgen, the first real hiccup since its January 1983 flotation. While knowledge of the reduced trading volumes had served to suitably downgrade interim expectations, there was disappointment that a second half COM revival is not in the offing. Furthermore, the seeming sluggishnesa with which the laser sales force problem was rectified, must blemish somewhat what has hitherto been an excellent management record. Nevertheless, most of the disappointment is already reflected in the share price which has come off 10 per cent since January. The shares lost another 6p to finish at 240p, due mainly to lower second-half estimates. On tha upside, the rise in laser printing income from the newly entered Scandinavian and West German markets is encouraging. And news that the company is looking at three potential acquisitions – one of which is in a hitherto unexplored European country – inspires a note of cautious optimism. Pre-tax profits are set for at least £10.6m for the full year. Although there will be no mad rush for shares after yesterday's results, shareholders should be urepared to ride this one out.

Expansion for Excalibur

BY RAY BASHFORD

Excalibur Jewellery is continuing its programme of expansion through acquisition with three purchases which could have a total price of £7m.

Excalibur is to acquire PMC, a manufacturer of pewter and silver-plated products, and Rainford, a maker of precious metal chain and the business and certain asset of the Manshaw group.

The Birmingham-based jewellery and precision equipment manufacturer will pay an initial £5.5m to be satisfied by the issue of 8.5m ordinary shares and £595,000 cash. Of the shares, 6m will be the subject of an open offer on the basis of 1-for-4.30452 at 58p each.

Excalibur also announced pre-tax profits for the year to April 30 of £809,000, compared with a loss of £243,000.

Rainford, acquired for an initial price of £1.4m, achieved a pre-tax profit of £250,000 in the year to June 30 on a £1.8m turnover. Manshaw was purchased for £1.7m and Excalibur directors said customers for its gold and silver jewellery included leading retailers and mail order companies.

Tate sells Staley offshoot to Henkel

By Clay Harris

Tate & Lyle, sugar refiner, has recouped another $10m-plus from its recent $1.48bn (£870m) acquisition of Staley Continental through the sale of a Texas factory to Henkel, West German chemical company.

The plant makes surfactants for use in the manufacture of shampoo and washing-up liquid. Established as a development project by Staley's previous management, it had never broken into profit.

Tate is also considering the future of similar facilities with total assets in "tens of millions" of dollars. They include a methyl glucoside plant in Arkansas, which produces adhesives for use in plywood manufacture. However, no other Staley businesses are officially up for sale at present.

Irish Distillers

Allied-Lyons and Grand Metropolitan, which together are mounting an I£200m (£173m) bid for Irish Distillers, yesterday claimed the whiskey producer's profit forecast of I£18m for the 12 months to September totally lacked credibility.

Chrysalis may revert to private status

BY RAY BASHFORD

Chrysalis, record producer and broadcast facilities group, may be taken private following a difficult trading period which has caused a material downturn in its business.

Mr Chris Wright, chairman, disclosed that the option was under consideration only a week after Mr Richard Branson said he probably would take Virgin Group private.

"One would expect that it would be a while before we could generate activity in the share price so we may have to go the same way as Richard Branson," Mr Wright said last night.

A final decision would not be taken until the end of next month. At the same time the company is considering rationalisation to reduce overheads, particularly in the US where losses have been heavy, he said.

Formerly privately owned, Chrysalis merged in July 1985 with Management Agency and Music, a hotels, leisure and music group. At the time, the combined company was worth £52m against last night's market value of £31.3m.

In the first half of the current year, the group's pre-tax profit fell from £5m to £2m and Mr Wright warned at the time that trading results for the 14 months to August 31 would be only marginally ahead of the £6.2m pre-tax profit returned during the previous 12 months.

Chrysalis shares slid to their low point for the year following the statement, dropping 25p to 113p. This compares with a high for the year of 148p.

Goodman

Goodman Group, clothing manufacturer and retailer, is to buy Parkes, menswear designer and manufacturer, for a maximum £5.75m.

The group also intends to raise £1.1m through a two-for-seven rights issue at 20p a share.

In the year to January 31, Parkes made £251,000 before tax on turnover of £2.6m. The directors have forecast pre-tax profits of £400,000 in the current year.

Bennett & Fountain

Bennett & Fountain, an electrical goods wholesaler and retailer which earlier this year lost out to Dixons in a £16m bid battle for Wigfalls, yesterday announced that it was buying Bolton-based Edwin P Lees for approximately £6m in either ordinary or unquoted convertible preference shares. Bennett will also take on around £5m of debt as a result of the acquisition. Yesterday, B&F's share price eased 2p to 37p.

Parkdale diversifies as profits double

By Andrew Hill

THE COMMERCIAL trading division of Parkdale Holdings, property group, is to move into two new sectors: hotels and homes for the elderly.

Parkdale also reported pretax profits more than doubled to £2.09m in the six months to June 30. The group has changed its year-end from April 30 to December 31.

Sir Peter Parker, chairman, said the company had identified a potentially profitable market niche in what it described as quality character hotels. Initially, Parkdale hopes to build up a chain of seven or eight such hotels, offering quality accommodation in historic properties.

Yesterday, the company, which in February acquired Clifford Barnett, a leisure development specialist, announced it had exchanged contracts for the purchase of two hotels, The Limes in Suffolk, bought for £1.07m, and The Bay Tree, in Burford, Oxfordshire, acquired for £2.17m.

During the six-month period, turnover increased from £1.24m to £9.57m. Earnings per share rose from 3.18p to 5.91p. The interim dividend is 1.1p

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Davy Corp.	fin	4.25	-	4.75	6.25	6.25
Excalibur Jllry	fin	0.05	-	0.05	0.06	0.05
Ford Sellar §	fin	1.5†	Oct 7	-	2.5	-
Howden Group	fin	2.57†	-	2.57	3.85	3.85
Markheath Secs	fin	2.5	Oct 1	1.6	3.5	2.4
McAlpine (Alf)	int	4.5	Aug 26	4.4	-	16
Microgen	int	2	Aug 10	1.5	-	5.5
Morris Ashby §	fin	2	Sept 8	-	2	-
Parkdale	int	1.1†	-	0.9	-	1.6
Parkfield	fin	5	-	2	7†	3
Rexmore	fin	1.25	Oct 4	0.76	1.8	1.2
Sandell Perkins	fin	3.8†	Oct 3	3	5.4	4.3
Sims Catering §	fin	5†	–	3.2	6.9	4.4
Wyko §	fin	1.65	Sept 29	1.5	2.75	2.6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

BOARD MEETINGS

TODAY

Interims- Biotechnology Inv, Domino Printing Sciences, General Cons Inv Trust, M&G Dual Trust,Quest, Union Discount Co of London.

Finals- Cambridge Instruments, Dixons, EMAP, Moorgate Investment Trust, Rush & Tomkins.

FUTURE DATES

Interims-

Abbey Panels	July 22
Anglo & Overseas Trust	July 15
BICC	Sept 7
Bensons Crisps	July 18
Britannic Assurance	Aug 17
Glynwed International	Aug 3
Leisuretime International	July 18
Southvaal	July 21
Yorkshire Chemicals	Aug 2

Finals-

Authority Investments	July 19
Black Arrow	July 21
Blenderand Gold Mining	July 21
Evo	July 20
Marina	July 15
Mountleigh	July 27
North of Scotland Inv	July 27
S African Land and Expln	July 21
Vaal Reefs Expl & Mining	July 21
Western Deep Levels	July 21
Wood (John D)	July 26

UK COMPANY NEWS

Nikki Tait on the £108m bid for Stead & Simpson

A soft shoe shuffle

VERY RARELY do private shareholders have the whip-hand over instititutional investors.

But that is the happy position for 200-odd ordinary shareholders in footwear retailer Stead & Simpson – many of whom are private individuals, including distantly-related family or ex-employees concentrated in the Leicester area.

At some stage before Saturday lunch-time, they must decide whether to back the £108.1m cash offer from property group Clayform. On their decision hangs the fate of the larger "A" shareholder class – this time taking in a few institutional holders – whose investmants carry no voting rights.

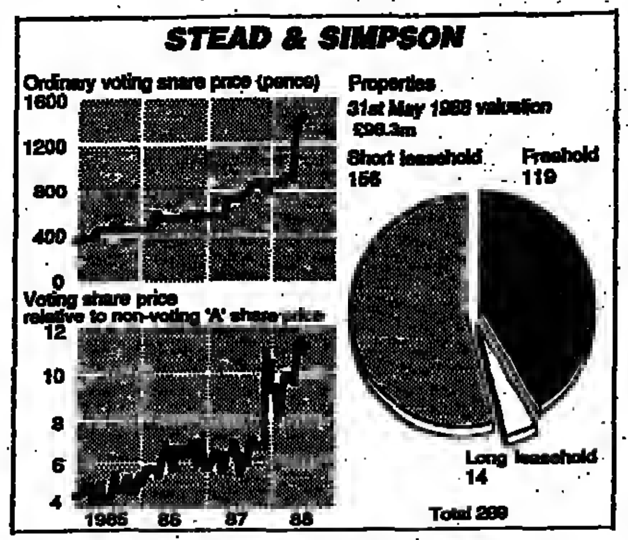
At present, the battle is still open, but with the money very much on the defending camp. It is true that Clayform has amassed a 40.3 per cent holding in the voting shares. The "A" shares, meanwhile, languish at 115p (down 11p yesterday), well adrift from the 151p offer terms – possibly also reflecting the fact that Clayform could dump its "A" holding should the bid fail.

Underlying this highly unusual finale is the dilemma over the nature of Stead itself. On the one hand, Clayform sees it as a property situation, best run by property specialists with retailing tacked on. On the other, Stead defends its position as a retailer to which property makes the fringe contribution.

Stead's origins go back a long way. Having started out in Leeds in the 1830s, the company moved to Leicester – tha heart of Britain's shoe industry – over a century ago. Until the early-1970s it retained a shoe manufacturing business but – having pulled out of this area – now comprises 260 shoe retail outlets, a motor trading operation and a very small computer business.

These days, shoe retailing is scarcely the most dynamic, or reliable part, of the stores sector. In the words of a recent Verdict Research survey, "most commentators have been saying that the sector is overshopped for years." Certainly, in terms of Stead, itself, this core operation has hardly been a strong growth area. Shoe retailing profits jumped from £1.93m before tax in 1983 to £3.67m in 1984, but subsequently remained on a marginally-declining plateau of just under £4.5m for the next three years. The division's operating contribution then rose again to £5.1m (£4.4m) in the 12 months to March 1988.

That said, Stead argues that changes afoot on Britain's High Street – in particular, that the retrenchment of rivals and certain closures – act in its favour. In one defence document, it talked of a 18 per cent sales gain in the current year to date, and margin enhancement. And it hits back at criticism of its less-than-glamorous High Street presence – pointing out that a new store design was introduced in early-1986, and has now been applied to 91 branches.



Whether Stead might broaden its activities out of shoe retailing if it escapes is an unanswered question. "After the bid, we would have to stand back a bit," is all that Mr Gee will say. An earlier diversification into ceramic and glassware selling through the "party plan" method was less than happy. The motor dealerships, howevar, have chipped in more steadily – with profits rising from £509,000 in 1983 to £1.37m in 1988.

From Clayform's viewpoint, it is easy to see why the company has taken a chance on being able to woo the Stead shareholders. Tha company came to the Unlisted Securities Market in 1985, and is something of a retail property specialist. It had a £40m tilt at department store group Owen Owen shortly after its float, but lost out to Ward White. Since then Clayform has merged with Samuel Properties, but the potential acquisition of Stead is seen by analysts as offering the group steady development prospects in the longer-term.

Clayform is cagey about disclosing how much of the Stead portfolio would be sold on, but stresses that trading is not its principal interest. At the heart of its plans are some two dozen Stead sites which, it maintains, could form the cornerstone to larger retail developements.

On this score, it points forcibly to its experience with Schofields, a Yorkshire-based department store group acquired at the end of 1984. The Harrogate outlet continues to trade unchanged, but the 280,000 sq ft Leeds store has been redeveloped. The Schofields' outlet has moved temporarily to a former Woolworth store, and will shift back into a much smaller 60,000 sq ft outlet.

In the meantime, it would definately sell on the motor dealerships; sees some scope for moving certain Stead stores (York, Chester and Henley are mentioned) upmarket; points to past retail management experience but adds that it would "not necessarily be in stores forever".

Of course, in a cash bid the logic of the deal to the predator is something of a secondary concern. What matters is the exit level offered weighed against the company's propsects.

On that score, there are two arguments. Stead has forecast profits of £10.7m pre-tax in 1988-89, against £8.94 last year. But that figure includes property profits of £3.1m (£2.56m). Ex-property, the multiple is a generous 22 times; with property added in, and on an actual tax charge, it comes down to 13. Property profits were taken above the line for the first time in 1987-88; what their level might be after 1988-89 is a matter of guesswork. Choose your multiple accordingly.

What then of the asset postion? Stead dutifully revalued the portfolio for a figure of £118.8m, and in terms of the property sector generally, it might be expected that full asset value should be paid (possibly a small premium). Unfortunately, the revaluation was not a full independent calculation, instead relying on a 68 per cent representative sample. That allowed Clayform – and the odd analyst – to cast a disparaging eye, and argue that the figure is really lower.

But perhaps the most interesting question is what will happen if Clayform does fail. In any event, its stake will top 40 per cent of the votes, and the property men say they will hang on. Stead declines to discuss its options, but concedes that "things will never be the same again".

That said, a not-dissimilar situation between British Land and another shoe retailer, Stylo, has dragged on unresolved for some time. If the ordinary shareholders stay loyal, it seems that the "A" holders, at least, may have little to took forward to.

Calling in the numbers on bids

by Nikki Tait

Merchant bank advisers will be able to supervise a client who is engaged in making a takeover bid and wishes to telephone the target company's private shareholders. They will not, however, be able to make the calls themselves.

This appears to be the upshot of legal advice given to the Takeover Panel, the City's watchdog on bids and deals. As a result, some rewording of the relevant section of the Takeover Code – covering telephone campaigns – may take place.

However, the Panel is believed to feel that this advice allows the spirit and purpose of the Code to be maintained.

The issue has surfaced in a £108.1m contested bid by property group, Clayform, for footwear retailer Stead & Simpson.

Under the new Financial Services Act, certain regulations on "cold-calling" – unsolicited sales approaches – have come into force. Although principally aimed at preventing unscrupulous telephone salesmen flogging investments to unwary members of the general public, they also impinge on conduct during takeover bids.

Numerous lawyars have been examining the issue. The general concensus has been that a defending company and its advisers are free to call their own shareholders; that everyone can make calls to institutional shareholders; but that only the bidding company (on its own initiative) can phone its target's shareholders.

Existing Panel rules, however, state that "other than in exceptional circumstances, campaigns must be conducted only by staff of the financial adviser who are fully conversant with the requirements of, their responsibilities under, the Code.

Since the issue arose, the Panel itself has taken legal advice. It now says that it believes that there would be no bar, under the Act or The Securities Association rulebook, to merchant bank advisers acting in a reactive role – that is, simply supervising clients' calling. It is expected to stress that this is what it wishes to see. The requirement that anappropriate script be provided, and that calls should not stray from that script, will be unaffected.

L&G reaps benefits of new pensions world

ERIC SHORT, PENSIONS CORRESPONDENT

THE GOVERNMENT'S radically new pensions world has proved to be extremely beneficial to Legal & General Group, Britain's second largest life company. This was reflected in the new business figures issued by the group yesterday relating to the first six months of 1988.

The first phase of these pension changes came into operation on April 6, and enabled employers to set up new style company pension schemes on a money purchase basis that could be contracted out of the State Earnings-Related Pension Scheme.

This resulted in L&G's insured group pensions and the associated group risk premiums rising by more than 50 per cent to £21.5m.

The second phase, bringing in the new style personal pensions, came into effect on July 1 and as such did not directly affect the results. The proportion of benefits that can be taken as a tax-free cash sum is lower on new style personal pensions compared with that on the old style retirement annuity contracts. So all life companies embarked on a major marketing campaign to the self-employed to buy the old style contracts before they disappeared on July 1. The success for L&G was reflected in more-than-doubled new business in individual pensions in the half year to £34.3m.

ICI in Spanish paint deal

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

Imperial Chemical Industries' paints division has bought Du Pont's powder coatings business in Spain for an undisclosed sum to gain what the company described yesterday as its first toenailhold in southern Europe.

The powder coatings market in Spain is worth only £20m at present and Du Pont claimed a 20 per cent share.

In spite of being the world's largest paint company with sales of £1.3bn ICI still has some notable areas of geographical weakness, of which Spain and Italy are the most important.

It has been trying to buy a privately-owned Spanish paint company for some time but negotiations have been slow. It has agency arrangements in Italy for its paint exports.

UK COMPANY NEWS

Sandell Perkins hits £13m but warns on the outlook

BY VANESSA HOULDER

Sandell Perkins, builder and timber merchant, yesterday announced a 38 per cent increase in pre-tax profits to £13.7m for the year to March 31, helped by the booming construction market and a "uniquely good" winter.

However, Mr Tim Perkins, chairman, warned that the growth this year would be more modest, as a result of high land prices, a shortage of skilled tradesmen and economic factors such as rate capping and interest rates.

But despite these reservations, he expected a busy year with further progress. "I am cautious but not pessimistic about the situation," he said.

The profits were at the top end of market expectations, although the share price dropped back 5p to 252p.

Group sales increased by 31 per cent to £148.5m (£113.2m). Of this increase some 5 per cent was due to inflation, while of the remaining 26 per cent volume gain, 10 per cent was due to market growth and 16 per cent to growth in market share.

Overall margins improved at the gross level by 0.6 per cent and at the net level by 0.7 per cent.

The repair, maintenance and improvement market continued to grow strongly and was predicted to be buoyant into 1990.

Although spending by councils, which are important end users of Sandell Perkin's products, was being constrained by rate capping, the private occupier was exercising greater spending power, said Mr Perkins.

During the year, Sandell Perkin's opened or acquired nine new branches, making a total of 66. The company will continue to open about 10 branches a year with the emphasis remaining in Greater London and the south of England, said Mr Perkins.

Earnings per share increased by 35 per cent to 21p (15.6p). A final dividend of 3.8p was recommended, making a total for the year of 5.4p (4.3p).

●comment

As a self-styled pessimist, the chairman's hint of caution about the year ahead was taken with a grain of salt by many of the industry's analysts. True, the last two years' phenomenal growth in the building market in the south is unlikely to be repeated. But even with more modest market growth, a continued improvement in market share could push sales up by another 20 per cent. And although margins look dauntingly high at the moment, they could inch even further ahead – thanks to greater buying muscle and a stronger emphasis on higher margin items such as glass, sanitary ware and security products. Accordingly, analysts reckon that profits could hit £17.5m this year, which puts the shares on a multiple of 10 - a hefty, but well-deserved premium to the sector.

Morris Ashby beats forecast

BY PETER FRANKLIN

Morris Ashby, producer of nonferrous high pressure and gravity diecastings, reported pre-tax profits more than doubled to £944,000 for the year ended March 31 1988, comfortably exceeding the estimate of £925,000 when the company came to the USM in April.

This was from turnover up 28 per cent from £6.46m to £8.26m. After tax of £219,000 (£178,000) earnings per 10p share came out at 11.15p (4.07p), 11 per cent higher than anticipated.

The company has a factory at Witham in Essex, Morris Ashby Castings, where it recently purchased an adjacent leasehold property providing a further 38,000 sq ft for expansion.

Its other premises, Kaye, a diecasting plant at Presteigne in Wales, moved into profit this year from a £32,000 loss last time. This, the company said, was a major reason for the marked upturn in profits. The Welsh foundry contributed some 50 per cent of the group's turnover this year.

Substantial benefit had been derived from automation and robotic controls introduced in recent years, which were largely developed and adapted for the company's specific applications, and strong stockholdings have offset escalating raw materials prices.

Mr Norman Gardner, chairman, said the group's order books were strong and he was confident that continued growth would be achieved. As foreshadowed, shareholders are to receive a dividend of 2p.

Alfred McAlpine profits clipped

FIRST HALF profits from Alfred McAlpine, the building, civil engineering and construction group, fell by 6.5 per cent. But over the year it is hoped the result will be close to the previous £31.4m, which included the Kuwaiti settlement of £3.4m.

Mr Bobby McAlpine, chairman, said the main cause for the profit decline - from £5.7m to £5.33m - was the construction division. After a poor start it recovered to show a modest profit, but was unlikely to reach the same level as achieved last year.

Building market in the UK was uneven, with a substantial proportion of available work being in London and the south-east. The homes division enjoyed an excellent period, while minerals made a reasonable start.

In the US, the two north-eastern housing companies were in a temporarily depressed market and their profit will be lower. Minerals and construction companies were making good progress.

The chairman recalled that property and timber interests had been sold in continuance of the policy to concentrate on mainstream businesses.

Property interests were sold to Warringtons in exchange for 45 per cent of that company and £4.2m cash. It was thought property growth could be achieved faster through that company. The timber sale realised £3.95m.

Earnings in the first half worked through at 98.8p (10.2p). The interim dividend is 4.5p (4.4p) and it is hoped to pay a small increase in the final over last year's 11.6p.

Wyko profits lifted to over £2m

STRONG GROWTH by the Wyko Group in the year ended April 30 1988 reflected the success of actions taken to eliminate unprofitable activities and restore performance to more acceptable levels.

This USM-quoted manufacturer and distributor of bearings and power transmission components lifted turnover by nearly £3m to £34.67m, and profit by £279,000 to £2.05m. However, exceptional debits were down from £610,000 to £154,000 to leave the pre-tax profit at £1.9m (£1.17m).

The exceptional debit brought to an end the absorption of additional R&D costs in manufacturing.

Earnings rose to 6p (3.7p) and the dividend is raised to 2.75p (2.6p) with a final of 1.65p.

Mr Philip White, chairman, expressed confidence that continuing management application to operational efficiency would have a significant effect on the current year's results.

Profitability in UK distribution was much improved by operational efficiencies, with profit nearly 66 per cent ahead to £1.05m, from sales 12 per cent higher.

On the UK manufacturing side there was a return to profit of £294,000 in the second half (£449,000). There should be benefit in the current year from the conclusion of exceptional development expenses.

Mr White said the international division lifted profit by 2.5 per cent to £715,000, to match the rise in turnover. Problems in the German manufacturing company and currency instability in the second half affected the overall result. The German side was closed and provisions of £756,000 were taken as extraordinary.

Cash flow was strictly controlled and the gearing benefited from an intake of £923,000.

Markheath profits jump

IN A year during which the group more than doubled its financial base and scale of activities Markheath Securities, commercial and residential property developer and investor, achieved a jump from £1.76m to £10.15m in pre-tax profits, with some £7m coming from disposal of investments.

The group, which is the UK vehicle of Australian entrepreneur Mr John Spalvins, improved turnover for the year ended March 31 by 44 per cent to £15.5m (£10.74m).

A final dividend of 2.5p (1.6p) is recommended for a total ahead from 2.4p to 3.5p. Earnings were 12.18p (3.7p).

Tax took £3.25m (£635,000).

Great Southern

Great Southern Group is buying Lawrence Funeral Service of Halifax and Mid-Sussex Funeral Services for a total of £1.53m in cash and shares.

APPOINTMENTS

New division for Midland Group

MIDLAND GROUP has formed a developing countries division to manage exposure to countries with payments difficulties. The division will be part of Midland Montagu. Mr Jacques de Mandat-Grancey has been appointed developing countries director: he was finance and support director of Midland Global Banking. Mr Peter Burnell, a director of Charter Consolidated, becomes developing countries industrial adviser.

★

Mr Roger Carr has been appointed group managing director of WILLIAMS HOLDINGS and Mr Mike Davies has joined the board as operations director Europe. Mr Carr has been on the board since 1984 and has been responsible for all Williams operations in Europe. He now takes on responsibility for Williams' worldwide operations. Mr Davies joined in May 1986 and has been managing director of Williams' consumer and building products division.

★

BEANS ENGINEERING, recently privatised through a management buyout from Austin Rover Group, has appointed Mr Peter Simonis as chairman; Mr Lon O'Toole as managing director; Mr David Jones-Percival as financial director; and Mr Colin Hicks as sales and marketing director.

★

Mr Nicholas E.J. Taylor has been appointed finance director of FORTRESS INTERLOCKS, a Halma safety division subsidiary. He was financial accounting manager for Freight Rover.

★

Mr Roger Snowden has been appointed business director of LEEK CHEMICALS, part of Courtaulds Chemicals. He was sales manager.

★

From December 1 Mr J. Nelson Abanto will become a director and head of the debt securities division of KLEINWORT BENSON. He is head of fixed income operations at Goldman Sachs International, London.

★

Mr T.A. Veitch, managing director of WARDLEY INVESTMENT SERVICES INTERNATIONAL, has been promoted to deputy chairman. He is succeeded as managing director by Lord Miles Buckinghamshire, who also becomes chairman of Wardley Unit Trust Managers, and Wardley Fund Managers (Jersey). Mr John Symes will assist him as administration director. Mr Symes was responsible for the operation of the computer system of the group, and was based in Hong Kong. The group is a subsidiary of the Hongkong and Shanghai Banking Corporation.

★

Mr David Thomas has been appointed head of GREIG MIDDLETON & CO's investment trust research. He was sector analyst for Shearson Lehman Brothers. Mr Paul Gale, a director of Scrimgeour Vickers (Asset Management), Mr David Turner, an executive director of Spencer-Thornton, and Mr John Wilson, a divisional director with Shepherds, have all been appointed senior investment managers in the private client department.

★

Mr A. Takahashi has been appointed general manager of THE TAIYO KOBE BANK, London branch. He was in the International division in Tokyo and New York. He succeeds Mr M. Iwami who is returning to the international planning department in Kobe.

★

Mr Len Whiting, chief executive of The IDC Group, a subsidiary, has been appointed a director of MATTHEW HALL.

★

Mr Mike Ashbrook has joined the board of RKF GROUP. He was with Binder Hamlyn.

★

Mr Sam Rosen has become chairman of BURFORD GROUP, and Mr Paul Coster becomes an executive director.

TRANSRAP HOLDINGS has appointed Mr George Hope-Smith as group financial director. Founders and joint managing directors Mr Hayden Newton and Mr Peter Yorston, become group managing director and group sales and marketing director respectively.

★

W.A. TYZACK has appointed Mr Chris Medler as group finance director and company secretary. He joins from BPCC where he was planning and development director.

★

MACHIN & KINGSLEY has appointed Dr George Kellie as non-executive chairman. He was managing director of MK Electric building plastics and cable management division.

★

Mr Christopher Ide has been appointed deputy manager of the UK branch of the SWISS LIFE INSURANCE AND PENSION COMPANY.

★

Mr Michael J.M. Lennox has been appointed group finance director of RENTCO INTERNATIONAL. He was group finance director of C.P. Roberts & Co.

★

WALTER KIDDE has appointed Mr Michael G. Perrett as financial director. He was group chief accountant.

★

Mr Alec Fairless has been appointed managing director of BURKERT CONTROMATIC, Stroud.

★

Mr Nigel T. Hayden has been appointed an associate director of Lloyd's brokers, Bradstock, Blunt and Thompson. Mr Nigel W. Bothwell has been appointed a director, and Mr Richard H. Carson an associate director of Bradstock, Blunt (N.I.). Both companies are subsidiaries of BRADSTOCK GROUP.

★

Mr Kenneth W. Dytor, senior developments surveyor at THE BRITISH LAND COMPANY, has been appointed to the board of British Land Developments, a wholly-owned subsidiary. Mr John A.L. Barnes has been appointed director of projects. He was property project controller at Sears.

Securicor chief executive

Mr Roger Wiggs has been appointed group chief executive of SECURICOR. He succeeds Mr Peter Towle who retires this month but remains a consultant group director. Mr Wiggs, who has been with Securicor for 20 years, was chairman and managing director of Securicor International and deputy group chief executive.

★

Mr David Goodwill has been appointed president and chief operating officer of LADBROKE RACING CORPORATION, the group's off-track betting subsidiary. He joins from Grand Metropolitan, where he was president of Watney North America. He will be based in Detroit.

★

Mr Ian Thompson has joined SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY as assistant general manager, marketing. He was marketing manager with Scottish Widows' Fund & Life Assurance Society.

★

CENTRAL TELEVISION has appointed Mr Alastair S. Thom as financial controller, development projects. He joins from ITC Entertainment where he was director of finance and administration.

★

QUANTEC (HOLDINGS) has appointed Mr David Fraser, formerly managing director of Microsoft (UK), as a non-executive director.

★

Mr Patrick Johns, marketing director with Jardine Fleming Investment Advisers in Tokyo, is to be appointed a director of FLEMING INVESTMENT MANAGEMENT with responsibility for UK pension fund business development from September 1.

★

Mr Sam Wanchope has been appointed commercial director of ACORN COMPUTER, a new post.

★

CREDITANSTALT-BANKVEREIN has appointed Mr Ben Maddocks as assistant general manager, international systems support group, responsible for the management of technology outside Austria. He was a management consultant with Price Waterhouses's banking and financial services division.

★

Mr Johan McQueen and Mr Howard Dawson have been appointed directors of CHARTERHOUSE TILNEY, stockbrokers, which is wholly-owned by The Royal Bank of Scotland Group.

★

Mr Robert Raw, finance director of KIER, contracting division of Beazer, has relinquished this post to concentrate on Far East operations. He is chairman of Kier Kin Sun, Hong Kong. Mr Duncan Brand becomes finance director. He was chairman of the building products division of the BM Group. Mr John Meddins has been appointed a special director of Kier with responsibility for infomation technology and secretarial services.

★

Ms Jennie Paterson, marketing manager of HILL SAMUEL INVESTMENT MANAGEMENT, has been made an associate director.

★

Mr Peter Thomas Swan has been appointed assistant managing director (commercial) at HARLAND AND WOLFF. He was group treasurer with Westland.

★

Mr Cameron M. McKay has been appointed managing director of PLASMEC SYSTEMS, Farnham.

The Business Section appears every Tuesday + Saturday. For further details please contact James Pascall on 248-8000 Ext 3524.

JOBS

How to sharpen an essential executive tool

BY MICHAEL DIXON

"THERE'S a question all people who're ambitious need to ask themselves at some time, though I'm sad to say they often fail to. It is: *Am I going to be successful, or merely a success-fool?*"

Having said that, Jagdish Parikh bounced forward in his chair, eyes sparkling. The Jobs column was rather taken aback, since the Indian businessman's opening remark seemed a mite tangential to the topic we were meeting specifically to discuss.

The topic is a research project, centered on the International Management Institute business school in Geneva, with the aim of sharpening an indispensable tool of executive decision-making. Dr Parikh is leading the project in some of the time he has left after being managing director of two groups of companies in India, a director or partner of three more, and president or governor of a variety of bodies including the Asian Institute of Management.

Nonetheless the distinction he made between successfulness and success-foolishness was topical in other ways. Take for example the opinion-poll finding that although most folk in Britain think their living standards and scope to pursue ambition have improved since the Conservative Government took power, they feel they are less happy than they were before.

So I mentioned the poll result, saying it betokened a pessimistic even if practical outlook. It is as though we British now typically conduct our lives on the principle that, while money may not make us happy, it at least allows us to be miserable in comfort.

Whereupon Dr Parikh said he was personally familiar with the attitude. As a young man he had gone to America to take a master of business administration degree at Harvard Business School.

The night before the two-year MBA course began, the school's dean called the students together and promised them the time would pass quickly because they'd be given more than enough work to fill every waking hour. The object of overloading them, they were told, was to keep them in the state of tension that is essential to high achievement.

Moreover the dean urged them never to be satisfied with what they achieved. For if they did, they would grow complacent and lose the spur to do better still.

"All of this was very worrying to me," Jagdish Parikh recalled. "My Indian upbringing had taught me that you should make sure every moment you live is satisfying. That isn't a licence just to lounge about, because the only way to be satisfied is to do the best of which you're capable. But it does mean you must be serene in mind so as to keep all elements of your life in balance. And here, suddenly, was the Dean of Harvard Business School prescribing stress as good for us.

"Anyway he won, because over the next two years I forgot all about my upbringing. I went back to India a confirmed high-tension workaholic, and did very well in business.

"Then one day I found myself wondering if dissatisfaction and stress are really necessary to high achievement. So I studied the question for a doctorate degree, and found the answer was no. I resolved to stop being a success-fool and seek to be successful. Don't mistake me – Harvard was most valuable in teaching me the technology of making a living. But in the end, it is my Indian upbringing that has given me the technology of how to live. And that is why I think the research at IMI Geneva is so important."

Hush-hush

The decision-making tool on which the research is focused is not one that executives are given to talking about openly. Even so, it is a tool that a good many of them privately confess to using frequently – to wit, intuition.

Evidence of that is provided by the study of 70 chiefs of big American companies made by Professor Weston Agor of Texas University, whose findings were reported in this column on April 8 1987. All but one of them told him they often used intuitive as opposed to intellectual processes in deciding something important.

At the same time, however, a large share of them admitted taking elaborate steps to keep the fact hidden. One such tactic was to send their underlings running around gathering and analysing information on issues actually decided long before.

The belief of the IMI business school is that, since executives not only do but will always need to rely on intuition as well as logical processes in making important decisions, their use of it might as well be openly acknowledged and where possible improved. Hence the research to find ways of sharpening people's intuitive abilities, which is being carried out by means of surveys, experimental workshops and other methods in five different parts of the world.

They include Japan and the Soviet Union as well as the United States and Europe. The fifth is of course India where studies of the use of intuition have been going on for over two millennia, not least through the system of applied philosophy known as Yoga in which Jagdish Parikh was brought up.

That news will no doubt set a number of readers reacting much as the Jobs column did. Were we to expect, I asked, that the IMI business school would soon be telling executives to renounce their swivelling thrones of office, and make do with a mat and the lotus posture instead?

At which, his eyes sparkled more than ever. There was no need to go the whole sinew-stretching bundle, he said.

Even if the research confirms that Yoga methods are effective, which it may not do, moderate use of them should be enough. Their immediate utility, he added, lay in developing each of the "five divisions of self".

The first is the physical where ability depends not just on diet and exercise, but on sleeping deeply enough to be well rested in advance of any demand that would otherwise tire you out. Deep sleep can be nurtured by the Yoga device of progressive relaxation: loosening each toe on one foot, then relaxing those on the other, and so on.

Brain power

Division two is the mental. In thinking, most of us fail to make use of both halves of our brain. Some are ruled by the right half which takes in complex reality as a whole, rather like the eye takes in a landscape, and controls the left-hand side of the body. Others are dominated by the left half which focuses on the details of what is before us, analysing them in conventionally rational ways, and controls the right-hand side. Dr Parikh claims we can bring both halves into use by exercises such as training ourselves to do things ambidextrously.

Third comes the emotional, which he thinks we can learn to handle by a technique he calls centering. "Take anger, say. You can think of it as something external you are plunged into like you might plunge yourself into a chair. While you're sitting in it, all you can do is wriggle. But as it's not part of you, you can get up and step back, so enabling yourself not just to be free of it, but manage it too."

Next is the "neuro-sensory", which can be thought of as the assorted cans of physical, mental and emotional worms that make up our various attitudes to life's events. "It's the difference between positive and negative neuro-sensory approaches that makes it easy to walk along a plank a foot wide placed on the ground, and hard to do the same thing if the plank is over a chasm. One way to overcome negative approaches to things is by doing them again and again in your imagination - imagining what it would feel like, look like, sound like, taste like, and smell like actually to do them."

The fifth division of self, the Indian top manager says, is the conscious. "Only by expanding as well as refining consciousness can we go beyond knowing how to do things right, to knowing what are the right things to do. The key is meditation, which is of two kinds. One consists of concentrating ever more deeply on some object or symbol or image. While that is hard, though, the other is harder. It is to lie back and allow the mind to go where it will. Executives seem to find nothing more difficult than just letting thoughts flow by like clouds in a summer sky."

I could well believe it, I said, opening my umbrella to go home.

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SALARY: As Senior Actuary £23,935–£29,135; Actuary £21,020–£23,685; Senior Actuarial Officer £14,255–£16,960. Level of appointment and starting salary according to qualifications and experience. Promotion prospects to £33,000 and above. Part-time employment may be possible. Removal expenses may be available on taking up appointment.

For further details and an application form (to be returned by 4 August 1988) write to the Civil Service Commission, Alencon Link, Basingstoke, Hants RG21 1JB, or telephone Basingstoke (0256) 468551 (answering service operates outside office hours). **Please quote ref: G/7644.**

If you wish to discuss matters with a member of the Department, please contact Dr D F Renn, FIA, Government Actuary's Department, 22 Kingsway, London WC2B 6LE, telephone 01-242 6828 ext. 351.

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COMMODITIES AND AGRICULTURE

Canada proposes tin crisis meeting

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE MEMBERS of the International Tin Council may shortly be meeting to try to find a way of ridding themselves of the burden of litigation that has dogged them since the council collapsed into insolvency in October 1985.

Canada, one of the 23 states which, with the European Community, comprise the ITC's membership, has proposed a meeting in London, possibly within the next few weeks.

The members have throughout denied that they have any legal liability for the ITC's debts. These have been estimated at about £900m, although the council itself has acknowledged the existence only of claims amounting to about £300m.

The members' stance has so far been upheld by the courts in litigation brought by ITC creditors. The final, definitive, ruling will be made by the Law Lords, possibly towards the end of the year.

However, although the states disclaim liability, they might well decide it would be in their interests to seek to resolve the problem so as to restore some order into the international tin market.

One possibility which might be adopted consistently with the members' attitude might be to raise a budget for 1988-89 for the ITC's administrative account and levy contributions from members to an amount that would enable the council to make a settlement offer to its creditors.

Such a proposal would, however, require a high degree of unanimity – if not unanimous agreement – between the members, each of which would have to have regard to its own national self-interest, as well as being satisfied that the proposed solution was consistent with the sixth International Tin Agreement, which governs the ITC's affairs.

Panel aims to unravel cocoa price row

By David Blackwell

AN INTERNATIONAL Cocoa Organisation (ICCO) advisory panel will today start trying to unravel a dispute which has held the cocoa agreement in limbo since March.

The dispute, which concerns the level of support prices to be defended under the agreement, arose at the last full ICCO meeting. Producer countries blocked discussion on a downward adjustment of the prices when consumer countries were insisting that the rules demanded a reduction.

The support prices were last adjusted to a range of 1,485 to 2,155 Special Drawing Rights a tonne in January at an emergency ICCO session. Consumers in March maintained that as the buffer stock had hought 75,000 tonnes in only six weeks, support prices should have fallen automatically under the rules by 115 SDRs a tonne.

The 10-day indicator price used by the organisation stood at 1,230.74 at the beginning of this week. Bnt the argument over prices is far from academic. Without a price agreement, the buffer stock manager is powerless, and a planned withholding scheme to take a further 120,000 tonnes of cocoa from the world market cannot get off the ground.

The four-man advisory panel, which comprises two producer and two consumer nominees, was agreed at the beginning of last month. Its recommendatione, which should be made by the end of this week, will be considered by the next full ICCO meeting in September, but will not be binding.

The organisation still faces substantial financial problems which are likely to halt progess on the scheme. The Ivory Coast, the world'e biggest cocoa producer, owes the organisation more than $40m in levies on exports.

Ironically cocoa prices have been recovering recently, mainly because the Ivory Coast is operating its own no-sales policy as a protest against low prices. Last night the second position contract closed up £29 at £1,032 a tonne, compared with £930 a tonne at the end of the March ICCO meeting.

LME copper shows sign of return to normality

BY KENNETH GOODING, MINING CORRESPONDENT

A SIGNIFICANT sign appeared yesterday that the metals markets are returning to normality after months of turbulence. For the first time since March last year copper briefly went into contango on the London Metal Exchange.

In other words, the price of metal for delivery in three months moved above the cash price, which is considered to be the normal situation given the cost of storage, insurance and so on involved in holding physical metal.

However, by the end of the day copper, the most heavily traded metal on the LME, had returned to backwardation (when there is a premium paid for immediate delivery). The cash price was down £31 to £1,271 while three-months metal fell by £29 to £1,257.50.

"This is visible evidence of the industry's uncertainty about whether there will be a surplus of copper this year", said Mr Peter Roddy of metal traders Deak International.

He pointed out that LME copper stocks had recovered to the level at which the metal first went into backwardation early last year. "So it is not an unreasonable point for a change to back to contango".

In more certain times many copper semi-fabricators would deliver metal to the LME warehouses during the summer holiday period, said Mr Roddy.

It seemed that this year they were reluctant to do so because they were not sure they would be able to get the metal back in the autumn except at a very steep premium.

Mr Angus MacMillan of the London Metals Research Unit of Shearson Lehman Hutton, said it would take some time for the contango to be re-established and an instantaneous switch from backwardation should not be expected.

However, fundamental factors – such as the flat demand for copper, increasing supply and a developing surplus of supply over demand as the year progressed – were asserting themselves. "Copper is heading sonth", be insisted.

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,035-2,080 (2,050-2,080).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.35-5.50 (5.35-5.50).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, Ingots 8.00-8.15 (same), sticks 8.00-8.15 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.50-6.75 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 320-333 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.40-3.50 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 9.65-9.80 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 42-56 (44-58).

VANADIUM: European free market, min 98 per cent, VO, cif, 4.50-5.00 (4.25-4.75).

URANIUM: Nnexco exchange value, $ per lb, UO, 15.10 (same).

Nicholas Woodsworth visits one of the most profitable gold mines in the world

Ashanti thrives amid Ghanaian recovery

LIKE ALICE'S fall down the rabbit hole, the descent of the George Cappendell Shaft in the green Ashanti hills of southern Ghana is somewhat dream-like.

Leaving clanging bells and whirling winding-drums far above on the surface, the suspended cage as it plunges into the earth falls smoothly and silently; there is little sensation of plummeting or even movement. Odd scenes flash past as the cage drops: dimly-lit galleries full of sweaty, half-naked figures; monstrously-shaped pieces of machinery whose valves and pipes hum to unknown purpose; + and rumbling underground railways that vanish into the murk.

One is tempted to look for Alice's book shelves whistling by, or bottles with "drink me" written on them. What awaits the subterranean traveller more than half-a-mile underground, however, is not a tea-party, but one of the richest gold mines in Africa.

Compared with the aged and shuddering equipment that in the recent past has characterised the mining operations of the 91-year-old Ashanti Goldfields Corporation (AGC), the Cappendell Shaft, operational since the end of 1987, is indeed an Alice-like wonder. Using the latest techniques and equipment, the $33m. shaft is responsible this year for 40 per cent of AGC output. Its construction typifies the revival now taking place in Ghana's once-flagging gold mining industry.

It was Ashanti gold that from the 15th century onwards gave colonial Ghana its fame and wealth as The Gold Coast. Mined as a British concern from the turn of this century, AGC – based in Obuasi, 160 miles northwest of Accra – was bought by Lonrho, the UK multinational, in 1968. Since then the Ghanaian Government has bought a 55 per cent share, but the goldfield continnes to be directed and managed by the British company.

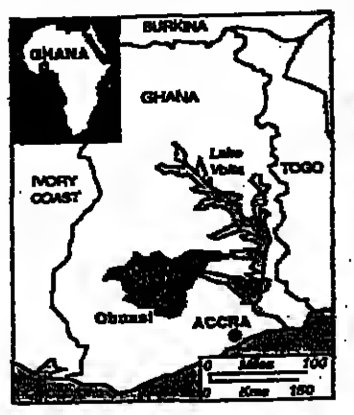
Because high ore grades and extraction rates at Ashanti are combined with low labour costs, AGC is one of the most profitable gold mines in the world. Producing 85 per cent of Ghana's total gold output, and earning 20 per cent of its hard currency, AGC stands second only to the country's cocoa industry as a foreign exchange earner.

Like other vital sectors of the Ghanaian economy, however, gold mining suffered a major decline in the early 1970s.

Falling cocoa exports, an overvaloed local currency, and dried-up lines of credit put foreign exchange at a premium and made imported machinery and spare parts prohibitively expensive. Machines remained unrepaired, shaft-sinking stopped, and prodnction conditions deteriorated. From 1972 to 1980 AGC gold output fell from 513,000 to 232,000 fine ounces.

It was only after the implementation of a stringent and comprehensive World Bank-approved Economic Recovery Programme in 1983 that Ghana, and AGC, once again became eligible for development finance. A subsequent government decision to encourage exports by allowing companies to retain at least 25 per cent of foreign earnings also made new capital imports feasible; because of AGC's position as a foreign exchange earner, it was allowed 45 per cent retention.

With $45m from the World Bank-affiliated International Finance Corporation and $32m from the Standard Chartered Merchant Bank, the AGC in 1985



launched its own 5-year, $160m rehabilitation and expansion programme.

Results so far have been impressive. Apart from sinking the Cappendell Shaft, it has deepened and re-equipped older shafts, brought in new underground and treatment plant machinery, and mechanised many labour-intensive jobs

Some $13m is being spent on a housing project to accommodate 3,000 of the mine's 1,200 miners.

A new $8m tailings retreatment plant came into production this year, recuperating 40,000 ounces of gold a year from ore processed in the 1930s. And last December sinking began on the new $27m Kwesi Mensah Shaft, which, when completed in 1991, will be the largest in West Africa. As a result of the programme, gold production increased from 242,000 ounces in 1985 to an estimated 316,000 ounces this year. For 1990 output is projected at 400,000 ounces.

The biggest recent development, however, has been the decision to begin operations at Sansu, approximately 10 miles south of Obuasi, where geological surveys have indicated large deposits of gold-bearing ore on the surface and at depth. Although the final feasibility report will not be out until later this summer, company officials are expecting at least seven year's worth of proven reserves, and work on the new site has already begun.

According to Mr W.A. Whitson, the company's project manager, AGC will be sinking a shaft and building a new $16m processing plant at Sansu to treat its gold-bearing sulphide and oxide ores. Discussions are now under way with the IFC for the financing of the project, and Mr Whitson is confident of its backing. Sansu should come into production in 1989.

Foreign exchange retention measures and a 1986 Minerals and Mining Law providing incentives for new investment has made for a gold boom outside AGC as well. Profiting from these new policies and from streamlined procedures for the acquisition of mining rights, there are currently about 30 foreign and joint-venture companies (many among them Canadian or Australian) prospecting for gold in Ghana. The country's three small state-owned gold mines, badly neglected in the past, will shortly be receiving a $110m injection of refurbishment funding from multilateral lending agencies. Four new private sector mines – the first to open since the 1940s – have recently come into operation.

The Government is now also considering legalising small-scale, surface-mining operations carried out illicitly by Ashanti villagers. So numerous are their trench and tunneling activities that they now pose a serious environmental threat. Paid just $96 a lb by middlemen for their hard-earned gold, they are also fuelling a large and uncontrollable black market.

Ghana's Geological Survey Department puts the country's estimated gold deposits at over 1.5bn. ounces. They have always been there, of course. What has radically changed interest in their existence, says Mr Sam Jonah, AGC's managing director, is the relaxation of a fiscal regime that featured "high front-end charges and low capital allowances." Now characterised by incentive policies and an openness to foreign investment, one of Africa's premier mining industries seems to be heading into a golden age.

Dredging riches from Peruvian river beds

BY BARBARA DURR IN LIMA

IN A QUIET, remote corner of Peru's southwestern department of Madre de Dios, a dredge noisily chews up the gold-laden bed of a jungle river. Like an enormous mechanical monster consuming a seedy tropical fruit, it spits out huge piles of rocks.

The residue of the gravelly pulp is 98 per cent pure gold.

The dredge and a sister washing plant working nearby constitute the only sizeable, mechanised gold operation in what is regarded as Peru's biggest potential gold mining area.

Throughout the rest of Madre de Dios, thousands of gold panners swarm like ants over the river banks. For 12 hours a day they pour buckets of gravel over crude sluice boxes, collecting, at best, about a gram of gold per man. But that represents a rich living in poor, job-starved Peru.

The dredge and washing plant belong to a joint Bolivian-Peruvian venture called Compania Aurifera Rio Inambari, S.A., or Carisa. Begun in 1983, the company's gold dredging project is being considered for financing by the World Bank's private sector arm, the International Finance Corporation. Should that be approved, it will be an exception to the World Bank's year-old deep freeze on financing for Peru.

The Peruvian Government of President Alan Garcia is likely to smile, if restrainedly, on Carisa's success with the IFC.

It regards Carisa as a foreign company, although South American Placers, a majority Bolivian-owned company, holds 84 per cent of the stock and the remaining shares are held by Peruvians.

Mr Enrique Sanchez de Lozada, the Bolivian who is chief of Carisa in Lima, says that IFC is considering an initial loan of $3m for a project totalling $22.5m. The project aims to include three dredges but Mr Sanchez believes it will have to take place in stages as finance becomes available.

Currently the company is moving about 120,000 cubic metres of gravel a month and producing about 20 kg of gold. If the gold price and interest rates remain stable, Mr Sanchez believes the company could make an operating profit. "But that would be put back into the project to expand it," he says.

As the high gold price over the last few years has made Peruvian gold mining a virtual boom industry, the area has looked more and more attractive. RTZ and Texas Gulf both sniffed at Madre de Dios and decided against it, according to Mr Sanchez.

He believes that while his smallish operation is viable, large multinational corporations would probably not be.

Apart from the larger overhead costs of multinationals, the region's backwardness is a major deterrent to investors. Fuel is expensive and roads are poor – in the rainy season nearly non-existent. Food supplies must be flown in from Lima or Cusco, the old Inca capital in the Andes and the nearest well-stocked city.

Also, the fineness of Madre de Dios's alluvial gold, even with a half a gram per cubic metre, makes recovery difficult.

While multinationals may turn up their noses, Peru's state-owned Mining Bank is trying to foster more small-scale gold mining in Madre de Dios. As a pilot project, the Bank wants to help finance purchases of, or lease, small suction dredges for use in the region, according to Mr Roger Arevalo, its president.

Mr Arevalo says that the bank is keen to expand gold production and capture more of what's produced. All mining Bank purchases are resold to Central Bank. Given the poverty of the Central Bank at the moment, exports of gold as a commodity have dwindled to zero.

Peru's annual gold production is estimated by the Mining Bank at about 12,000 to 15,000 kg. But the bank, the only legal purchasing agent, says it captures only one third to one half of the production. The rest slips into the national black market or over the borders to Brazil and Bolivia.

More than half of the Mining Bank's 5,352 kg purchases last year came from Placer, and Madre de Dios accounted for 54 per cent of all Placer gold purchases.

But the black market thrives in the region's backwaters, in such rough and tough frontier towns as Huaypetue. There along a half-mile stretch of wooden shacks on stilts, gold is used to buy a meal, booze and supplies.

The richest people are the storekeepers, who not only overcharge miners for goods but tend to sell their gold to black marketeers for a slightly higher price than the Mining Bank pays.

The wealthier commercial barons, who employ labourers at slave wages to pan for gold, resent Carisa. It is a corporate intrusion upon a highly clannish way of life, where as often as not disputes were settled with bullets or machetes.

Huaypetue, like other places in Madre de Dios, draws thousands of individual gold panners who dream of the big find, of getting rich quick. Even supposedly more sophisticated foreigners, such as a New York art dealer and a retired American general, have also been lured by Madre de Dios's gold and have lost their shirts.

Carisa's Mr Sanchez contends that the region is plagued by the myth that "South Africa is peanuts compared to Madre de Dios." In reality, he says, the margins are slim and mining projects cannot withstand mismanagement. "We've learned how to survive in the times of skinny cows."

WORLD COMMODITIES PRICES

LONDON MARKETS

WORLD MARKET sugar prices continued to see-saw yesterday, driven by the ebb and flow of assessments of drought damage to the US crop and reports of fresh buying interest. Following Monday's fall in futures markets on both sides of the Atlantic the London daily raw sugar price was fixed in the morning $8.60 lower at $317 a tonne. But the see-saw was already back on the upswing in the London futures market, where nearby values ended the day $16 to $18 up, more than recovering Monday's falls. In contrast coffee futures prices were hit by profit-taking following recent gains and the September position ended the day £22 down at £1,102 a tonne. Dealers said speculators seemed discouraged by the failure of a cold air mass to produce frost in Brazilian growing areas. Another discouraging factor was the prospect of a cut in International Coffee Organisation export quotas because of the recent price rise.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$12.15-2.25z	-0.55
Brent Blend	$13.90-4.03z	-0.61
W.T.I (1 pm est)	$14.60-4.65z	-0.50
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$179-181	-1
Gas Oil (Soviet)	$124-126	-4
Heavy Fuel Oil	$64-65	-2.5
Naphtha	$138-140	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$435.25	
Silver (per troy oz)♣	687c	+3
Platinum (per troy oz)	$536.75	-21.50
Palladium (per troy oz)	$121.50	-3.00
Aluminium (free market)	$2715	-85
Copper (US Producer)	105½-110c	-2
Lead (US Producer)	36c	
Nickel (free market)	640c	
Tin (European free market)	£4300	-10
Tin (Kuala Lumpur market)	18.61r	-0.25
Tin (New York)	337.0c	-2.0
Zinc (Euro. Prod. Price)	$1337.5	
Zinc (US Prime Western)	65¾c	
Cattle (live weight)†	113.10p	+2.45*
Sheep (dead weight)†	183.36p	-2.31*
Pigs (live weight)†	69.68p	+1.04*
London daily sugar (raw)	$345.0x	-8.6
London daily sugar (white)	$375.0x	-11.5
Tate and Lyle export price	£317.0	-8.0
Barley (English feed)	£103x	
Maize (US No. 3 yellow)	£144.5z	-0.25
Wheat (US Dark Northern)	Unq.	
Rubber (spot)♥	70.50p	-2.00
Rubber (Aug)♥	76.50p	-2.00
Rubber (Sep)♥	76.75p	-2.00
Rubber (KL RSS No 1 Aug)	339.0m	-7.0
Coconut oil (Philippines)§	$600y	+30
Palm Oil (Malaysian)§	$505z	
Copra (Philippines)§	$470	+10
Soyabeans (US)	£209	-10
Cotton "A" index	64.25c	-0.60
Wooltops (64s Super)	654p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Jul/Aug. s-Aug/Sep. z-Aug. q-Sep. w-Oct. y-Sep/Oct. †Meat Commission average fatstock prices. * change from a week ago. ♣London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Jly	1018	992	1020 999
Sep	1032	1003	1040 1005
Dec	1020	993	1020 996
Mar	1017	993	1019 995
May	1026	1000	1026 1009
Jul	1043	1023	1037 1023
Sep	1060	1046	1060 1043

Turnover: 9303 (7767) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for July 11: 1247.37 (1243.80). 10 day average for July 12: 1230.74 (1226.22)

COFFEE £/tonne

	Close	Previous	High/Low
Jly	1082	1100	1100 1078
Sep	1102	1124	1123 1100
Nov	1117	1143	1138 1115
Jan	1133	1158	1154 1134
Mar	1154	1167	1168 1150
May	1171	1185	1165 1173

Turnover: 2375 (2302) lots of 5 tonnes
ICO indicator prices (US cents per pound) for July 12: Comp. daily 1979 115.21 (114.63); 15 day average 115.34 (115.72).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Aug	338.00	318.40	334.00 314.80
Oct	317.40	299.20	321.40 294.80
Dec	305.00	285.00	301.00 284.00
Mar	296.40	283.80	295.80 279.00
May	290.00	281.00	290.00 274.00
Aug	286.00	280.00	270.60
White	Close	Previous	High/Low
Aug	340.00	319.00	325.50 313.00
Oct	332.00	317.00	332.00 312.00
Dec	332.00	316.00	330.50
Mar	331.00	315.00	330.00 322.00

Turnover: Raw 10099 (6709) lots of 50 tonnes; White 932 (2807).
Paris- White (FFr per tonne): Aug 2010, Oct 1980, Dec 1995, Mar 1980, May 2000, Aug 2010

GAS OIL $/tonne

	Close	Previous	High/Low
Aug	125.25	128.75	128.25 123.75
Sep	125.75	128.00	128.25 124.00
Oct	127.00	130.00	127.75 125.50
Nov	128.00	131.50	129.00 127.25
Dec	128.75	131.50	129.75 126.00
Jan	128.60		128.60 127.75

Turnover: 10443 (6851) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jly	107.00	108.25	107.00 106.95
Sep	106.30	105.70	106.30 106.15
Nov	108.75	108.00	108.75 108.50
Jan	111.75	111.00	111.75 111.00
Mar	113.85	113.25	113.95 113.75
May	116.25	115.65	116.25
Barley	Close	Previous	High/Low
Sep	101.30	100.50	101.30 101.00
Nov	104.30	103.50	104.30 104.10
Jan	107.40	106.40	107.40 107.15
Mar	109.80	109.80	109.80
May	111.50	[illegible]	[illegible]

Turnover: Wheat 144 (170), Barley 86 (118) lots of 100 tonnes.

POTATOES £/tonne

	Close	Previous	High/Low
Nov	95.0	94.5	95.0
Feb	95.0	92.5	
Apr	127.5	128.5	128.5 127.3
May	139.5	139.5	135.5

Turnover: 229 (294) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Aug	175.50	172.50	175.00 170.00
Oct	176.00	175.50	177.00 173.00
Dec	181.00	176.00	180.00 176.00
Feb	181.80	178.00	179.00 178.00
Apr	181.00	[illegible]	[illegible]

Turnover: 316 (728) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jly	1216	1203	1220 1216
Aug	1260	1257	1260 1270
Oct	1408	1386	1415 1393
Jan	1436	1410	1435 1425
Apr	1468		1468 1450
BFI	1183	1183	

Turnover: 413 (122)

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	2670-90	2790-810		2700-30		
3 months	2615-25	2730-50		2630-40	2630-50	6,912 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 15,850 tonne
Cash	1505-10	1562-7		1515-20		
3 months	1462-5	1521-2	1460/1460	1472-3	1478-9	53,078 lots
Copper, Grade A (£ per tonne)						Ring turnover 39,350 tonne
Cash	1271-2	1302-3	1272/1260	1280-3		
3 months	1257-8	1286-7	1265/1240	1265-6	1259-8.5	86,244 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1220-30	1265-85		1220-30		
3 months	1210-20	1240-50		1220-30		39 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	684-7	681-4		692-5		
3 months	707-10	704-7		695-8	705-10	552 lots
Lead (£ per tonne)						Ring turnover 12,050 tonne
Cash	355-7	373-4	364.5/364	363.5-364		
3 months	356-7	373-4	374/357	364-5	360-1	12,294 lots
Nickel ($ per tonne)						Ring turnover 1,134 tonne
Cash	13900-14000	14500-400	13850	13900-50		
3 months	13760-80	14150-225	13850/13760	13770-800	13800-900	6,737 lots
Zinc (£ per tonne)						Ring turnover 14,125 tonne
Cash	716-8	730-3	718/717	716-8		
3 months	687.5-8.5	712-3	705/690	698-700	692-3	23,621 lots

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	435-435½	257-257½
Opening	435-435½	257-257½
Morning fix	434.60	255.787
Afternoon fix	434.60	256.409
Day's high	435½-436	
Day's low	433-433½	
Coins	$ price	£ equivalent
US Eagle	448-453	264½-267½
Maple leaf	448-453	264½-267½
Britannia	448-453	264½-267½
Krugerrand	434-437	256-258
1/2 Krug	229-234	135½-138
1/4 Krug	112-120	66-70½
Angel	445-450	262½-265½
1/10 Angel	45-50	26½-29½
New Sov.	102-103	60-60½
Old Sov.	102-103½	60-61
Noble Plat	561.85-8.55	332.1-336
Silver fix	p/fine oz	US cts equiv
Spot	407.20	686.00
3 months	417.85	702.90
6 months	428.80	717.65
12 months	449.95	747.00

COTTON
Liverpool- Spot and shipment sales for the week ending July 0 amounted to 881 tonnes against 159 tonnes the previous week. Orders moved fast with interest showing mainly in Pakistan, Russian and West African qualities.

JUTE
July/August 1988 c and f Dundee BTC $495, BWC $495, BTD $420, BTE $420; c and f Antwerp BTC $495, BWC $455, BWD $400, BTD $410.

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sept	Nov	Sept	Nov
2500	265	271	100	195
2600	205	223	142	250
2700	155	185	193	308
Aluminium (99.5%)	Calls		Puts	
1400	220	274	187	231
1500	166	231	152	285
1600	141	193	205	345
Copper (Grade A)	Calls		Puts	
2050	134	159	40	136
2150	78	144	82	185
2250	41	107	143	249

US MARKETS

IN ADVANCE of the forthcoming crop report, technical buying and short-covering firmed the grains and soyabean complex, reports Drexel Burnham Lambert. Indications of further hot and dry weather also contributed to the rally. The strength in the grains depressed cattle futures in nearby contracts while forward contracts tended to firm. Pork bellies and hogs both rallied sharply in response to firmer cash prices and as a result of short-covering. Sugar was firm on trade and commission house buying as the market rallied in sympathy with the grains markets. Platinum continued weak on follow-through technical selling, gold and silver rallied on short-covering, but tended to mark time in advance of figures to be released on Friday. Copper eased on continued speculative selling. In the energy complex, unleaded gasoline rallied as fundamentals reasserted themselves. This tended to limit declines on the crude oil and heating oil. Coffee was firm on speculative buying, cocoa in response to nearby tightness of supply.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Jul	437.0	434.5	0 0
Aug	438.7	436.4	438.8 434.2
Sep	441.4	439.1	0 0
Oct	444.2	440.0	444.4 439.8
Dec	448.0	445.0	448.5 444.0
Feb	452.2	453.2	454.2 451.5
Apr	460.8	458.2	0 0
Jun	465.6	464.5	467.2 462.0
Aug	472.4	470.4	470.0 470.0

PLATINUM 50 troy oz.; $/troy oz.

	Close	Previous	High/Low
Jul	545.0	543.5	547.5 540.0
Oct	550.0	550.5	557.0 544.0
Jan	559.0	559.8	560.5 553.0
Apr	566.3	565.8	0 0
Jul	573.8	574.1	570.0 570.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Jul	697.4	697.7	699.0 695.5
Aug	701.3	697.4	702.0 702.0
Sep	706.7	702.0	708.0 702.0
Dec	721.0	717.2	723.5 716.0
Jan	726.0	722.2	0 0
Mar	736.2	731.3	735.0 735.0
May	747.8	744.0	748.5 739.0
Jul	759.1	756.3	757.0 747.0
Sep	770.4	766.6	0 0
Dec	787.5	783.7	0 0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Jul	96.25	96.40	97.25 95.85
Aug	94.35	95.40	0 0
Sep	91.40	92.70	92.50 91.20
Oct	87.60	89.40	88.50 87.40
Jan	86.50	86.30	87.20 87.20
Mar	84.30	84.80	84.70 84.00
May	83.30	84.80	83.70 83.40
Jul	82.30	84.00	82.90 82.30
Sep	81.60	81.00	0 0
Dec	81.60	00.70	81.40 01.40

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low
Aug	14.68	14.78	14.73 14.42
Sep	15.17	15.22	15.18 14.88
Oct	15.33	15.37	15.30 15.01
Dec	15.20	15.50	15.30 15.20
Jan	15.39	15.50	15.30 15.20
Feb	15.42	15.60	15.42 15.25
Mar	15.52	15.75	15.65 15.35
Apr	15.60	15.81	15.70 15.44
May	15.60	15.81	15.70 15.44

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low
Aug	4030	4133	4090 4020
Sep	4145	4198	4160 4060
Oct	4230	4289	4245 4100
Nov	4325	4351	4325 4240
Dec	4410	4452	4400 4320
Jan	4440	4464	4450 4370
Feb	4440	4468	4490 4360
Mar	4295	4305	4270 4230
Apr	4170	4181	4170 4160

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
Jul	1639	1593	1640 1637
Sep	1654	1621	1665 1620
Dec	1669	1650	1675 1639
Mar	1815	1690	1610 1655
May	1630	1612	1633 1608
Jul	1650	1630	1651 1630
Sep	1664	1650	1680 1660
Dec	1717	1695	0 0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Jul	135.43	135.33	136.50 134.10
Sep	135.44	133.73	136.23 134.60
Dec	133.00	134.78	135.20 133.75
Mar	131.34	133.10	133.40 131.50
May	132.75	131.75	133.25 133.00
Jul	132.27	131.00	132.00 132.78
Sep	132.51	132.50	0 0
Dec	133.01	133.00	0 0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
Oct	14.05	13.38	14.08 13.17
Jan	12.75	12.51	13.10 12.50
Mar	13.05	12.54	13.10 12.30
May	12.95	12.64	13.10 12.46
Jul	12.46	12.39	12.46 12.10
Oct	12.46	12.34	12.46 12.00

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
Jul	69.15	68.48	69.00 66.96
Oct	67.76	66.76	67.90 66.01
Dec	67.24	66.46	67.70 66.20
Mar	66.92	66.70	66.30 66.00
May	66.35	66.00	66.62 66.10
Jul	66.20	65.70	66.00 65.50
Oct	66.85	66.30	0 0
Dec	66.85	66.30	66.85 66.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Jul	193.10	193.10	194.70 193.00
Sep	182.90	183.70	184.30 182.00
Nov	175.70	177.85	178.05 175.60
Jan	168.90	170.60	170.20 168.60
Mar	168.30	168.45	169.20 168.00
May	167.50	168.60	0 0
Jul	166.50	168.00	0 0
Sep	166.50	167.45	0 0

INDICES

REUTERS (Base: September 18 1931 = 100)

July 11	July 8	mnth ago	yr ago
1967.0	2003.7	1908.2	1637.5

DOW JONES (Base: December 31 1974 = 100)

Spot	135.04	137.96	136.23	127.55
Futures	139.06	140.70	143.20	126.94

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Jul	879/4	856/0	884/0 860/0
Aug	884/4	877/0	895/0 870/0
Sep	881/4	870/0	880/0 860/0
Nov	876/0	867/4	880/0 862/0
Jan	880/0	857/0	870/0 850/0
Mar	868/0	850/0	860/0 840/0
May	831/0	841/0	839/0 841/0
Jul	820/0	810/0	847/0 821/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Jul	28.85	29.00	29.25 28.25
Aug	30.02	29.52	30.13 29.35
Sep	30.17	29.72	30.30 29.40
Oct	30.17	29.70	30.30 29.57
Dec	30.42	30.20	30.60 29.90
Jan	30.22	30.00	30.35 29.90
Mar	30.15	29.90	30.35 29.00
May	29.90	29.50	30.10 29.50

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Jul	258.2	258.7	257.5 254.0
Aug	252.5	255.0	254.0 255.0
Sep	238.7	231.7	240.0 238.0
Oct	237.7	238.0	240.0 237.0
Dec	232.0	240.0	245.0 242.0
Jan	248.0	243.5	255.0 242.0
Mar	248.0	245.0	248.0 244.0
May	248.0	232.7	247.7 231.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Jul	306/0	295/2	308/0 293/0
Sep	318/2	309/4	318/0 309/0
Dec	323/4	312/6	325/4 310/0
Mar	323/4	312/6	325/4 310/0
May	330/2	319/4	325/0 319/0
Jul	318/0	307/6	318/4 306/0
Sep	285/4	275/4	284/4 277/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Jul	381/2	369/0	382/0 370/0
Sep	389/0	377/6	389/0 377/0
Dec	398/0	388/0	398/4 388/0
Mar	398/4	394/4	400/0 394/0
May	390/0	377/4	377/0 376/0
Jul	360/0	342/6	359/0 346/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Aug	65.62	66.25	66.37 65.52
Oct	66.80	67.47	67.30 66.75
Dec	69.87	69.75	70.00 69.27
Feb	70.60	71.40	71.30 70.52
Apr	71.15	71.48	71.50 71.10
Jun	71.00	71.10	71.40 70.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
Jul	45.87	45.47	45.70 44.95
Aug	43.75	43.05	44.10 43.90
Oct	40.52	38.87	40.95 39.75
Dec	43.70	42.57	43.70 42.25
Feb	47.55	46.15	47.55 46.35
Apr	45.85	45.55	47.05 45.80
Jun	52.45	51.55	52.40 51.50

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low
Jul	33.10	32.70	33.70 32.45
Aug	33.17	32.55	33.75 32.40
Feb	51.55	51.95	52.50 51.10
Mar	51.65	51.70	52.55 51.46
May	55.40	53.30	55.40 53.35
Jul	54.50	53.40	55.40 53.50
Aug	53.80	51.90	53.80 52.60

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slips in quiet trading

TRADING VOLUME contracted quiet sharply in currency markets yesterday, as dealers started to square positions ahead of US trade figures for May, due for release on Friday.

The dollar was supported at its lower levels by short covering, while further central bank intervention and a lack of impetus restricted its upward potential.

The West German Bundesbank continued to sell dollars, as did the Belgian central bank, but there was no clear evidence of any other central bank activity.

The dollar opened down from Monday's close in London, having been sold quite aggressively in the Far East. Sentiment there was influenced by what appeared to be conflicting reports on how the Bank of Japan viewed the dollar's rise.

Mr Satoshi Sumita, Governor of the Bank of Japan, said that Japan would take appropriate measures to stabilise currencies. However, this contrasted with further reports - apparently from Bank of Japan officials - that the current yen/dollar rate was giving no cause for alarm. The latter tended to match in with a previously stated understanding that G7 nations had agreed to tolerate a moderate rise in the dollar, but central banks may well be divided on what scale of dollar rise constitutes moderation.

The dollar closed at DM1.8375 from DM1.8455, having brokan through DM1.8400 at one point. Against the yen it fell to Y132.60 from Y133.00 and was lower elsewhere at SFr1.5235 from SFr1.5350 and FFr6.1950 compared with FFr6.2100. On Bank of England figures, the dollar's exchange rate index fell from 98.1 to 97.9.

Sterling failed to capitalise on a weaker dollar, and the attraction of a double figure return, currently offered on sterling-based investments. Traders were reluctant to carry exposed positions ahead of Thursday's data on average earnings, retail sales and industrial production: sentiment was also influenced by the proximity of Friday's US trade figures announcement.

The pound slipped to DM3.1150 from DM3.1775 and SFr2.5825 compared with SFr2.5925. It was unchanged against the yen at Y224.75 and closed slightly higher in terms of the French franc at FFr10.5025 from FFr10.4925. It rose against a weaker dollar to $1.6955 from $1.6895. On Bank of England figures, tha pound's exchange rate index was unchanged from the start and Monday's close at 75.0.

The D-Mark fell back from its early highs after the Bundesbank left its sale and repurchase rate unchanged. However, it was helped later by further Bundesbank intervention in currency markets, and was fixed at DM1.8409 up from DM1.8365 at the opening but still down from DM1.8430 on Monday. It closed at DM1.8365. The Bundesbank bought $34.6m at the fixing and also sold modest amounts in open trading.

News of a further widening in West Germany's capital account deficit added to the sombre mood: the May shortfall widened to DM10.52bn from DM8.49bn in April.

Trading in Paris was less than inspiring, as traders covered their exposed positions ahead of tomorrow's national holiday in France. The franc was expected to remain steady against the D-Mark, despite recent suggestions that French interest rates could soon be reduced. However a further rise in West German rates later this week could affect sentiment, with interest rates differentials already decreasing in the last four weeks by half a point to 3½ points in favour of Euro-French francs.

£ IN NEW YORK

July 12	Latest	Previous Close
£ Spot	1.6930-1.6940	1.6910-1.6920
1 month	0.29-0.28pm	0.29-0.28pm
3 months	0.94-0.91pm	0.89-0.86pm
12 months	3.26-3.16pm	3.02-2.92pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 12	Previous
8.30 am	75.0	75.2
9.00 am	74.9	75.2
10.00 am	74.9	75.3
11.00 am	74.9	75.3
Noon	74.9	75.2
1.00 pm	74.9	75.2
2.00 pm	74.9	75.2
3.00 pm	74.9	75.2
4.00 pm	75.0	75.0

CURRENCY RATES

July 12	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.768898	0.667041
U.S Dollar	6	1.30482	1.12763
Canadian $	8.75	1.57674	1.36128
Austrian Sch.	3½	N/A	14.6096
Belgian Franc	6¾	90.3334	43.4787
Danish Krone	7½	9.35462	7.90470
Deutsche Mark	3	2.40987	2.07597
[illegible]	[illegible]	[illegible]	[illegible]

*All SDR rates are for July 11

CURRENCY MOVEMENTS

July 12	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

July 12	£	$
[illegible]	[illegible]	[illegible]
S. Af (Cm)	3.9905-4.0015	2.3770-2.5785
S. Af (Fn)	5.8700-5.9735	3.4785-3.5400
Taiwan	48.40-48.60	28.65-28.75
U.A.E.	6.1955-6.2010	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4787	+2.40	+1.10	±1.5344
Danish Krone	7.85212	7.90470	+0.67	-0.63	±1.5404
German D-Mark	2.05853	2.07597	+0.85	-0.45	±1.0981
French Franc	6.90403	6.99414	+1.31	+0.01	±1.3674
Dutch Guilder	2.31943	2.34187	+0.97	-0.33	±1.5012
Irish Punt	0.768411	0.772986	+0.60	-0.70	±1.6684
Italian Lira	1483.58	1538.94	+3.75	+3.02	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

July 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6860-1.6970	1.6950-1.6960	0.30-0.27cpm	2.02	0.96-0.91pm	2.21
Canada	2.0390-2.0520	2.0510-2.0520	0.15-0.05cpm	0.58	0.48-0.35pm	0.81
Netherlands	3.50¼-3.52	3.51-3.52	1⅛-1⅛cpm	5.76	4⅛-4⅛pm	5.33
Belgium	65.00-65.35	65.25-65.35	21-18cpm	3.56	61-57pm	3.61
Denmark	11.82½-11.87¼	11.86-11.87	2¼-1¼orepm	1.64	6¼-5ore	1.88
Ireland	1.1575-1.1630	1.1605-1.1615	0.31-0.14cpm	2.33	0.93-0.74pm	2.88
W. Germany	3.10¾-3.11¾	3.11¼-3.11¾	1⅛-1¼pfpm	5.06	4¼-4pm	5.30
Portugal	253.05-255.20	254.15-255.15	35-70cdis	[illegible]	[illegible]	[illegible]
Spain	205.65-206.70	206.20-206.50	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

July 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

July 12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

July 12	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.987	0.827	1.518	109.6	5.117	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.531	2.597	4.770	344.3	16.08	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Very little movement

PRICES SHOWED very little movement on the Liffe market in London yesterday. Three-month sterling deposit futures fell slightly, as interest rates firmed on the cash market and the pound weakened on the foreign exchanges.

September short sterling deposits finished at 89.33, unchanged from the opening, and compared with 89.35 on Monday.

Long term gilt futures were also very quiet, on turnover of less than 16,000 contracts, but closed a little firmer, and towards the top of the day's narrow trading range.

Long gilts for September delivery rose to 94-12 from 94-09.

US Treasury bond futures opened weaker, and slipped lower to finish just above the day's low.

September Treasury bonds began trading at 86-25, and after touching 86-20, closed at 86-21 on Liffe, against 86-27 previously.

Lower oil prices provided some underlying support, but this was offset by a weakening of the dollar.

The market lacked new factors, waiting for figures on US trade, UK retail prices, and UK average earnings later this week, plus today's testimony before the Senate Banking Committee by Mr Alan Greenspan, chairman of the Federal Reserve Board.

Mr Greenspan is expected to underline the Fed's determination to fight inflation, and possibly to suggest the central bank will push US interest rates higher.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
80	625	645	1	7
90	428	457	4	19
92	237	320	13	46
94	107	158	47	120
96	21	102	161	228
98	5	32	345	358
100	2	14	542	540

Estimated volume total, Calls 1666 Puts 1175
Previous day's open int. Calls 30239 Puts 35587

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
80	647	633	5	43
82	458	500	16	110
84	312	345	34	155
86	150	240	108	250
88	53	151	211	361
90	21	111	343	521
92	8	47	530	657

Estimated volume total, Calls 20 Puts 90
Previous day's open int. Calls 865 Puts 1412

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Jul	Calls-settlements Aug	Puts-settlements Jul	Puts-settlements Aug
17000	1635	1654	0	19
17500	1137	1198	2	63
18000	657	797	22	162
18500	272	479	137	344
19000	68	256	433	621
19500	9	121	874	986
20000	1	50	1366	1415

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 6 Puts 58

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Jul	Calls-settlements Aug	Puts-settlements Jul	Puts-settlements Aug
155	1441	1441	0	2
160	941	941	0	20
165	441	506	3	98
170	67	212	130	304
175	1	64	564	656
180	0	13	1063	1105
185	0	2	1563	1594

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 957 Puts 28

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9075	100	86	1	20
9100	77	68	3	27
9125	56	52	7	36
9150	36	38	12	47
9175	21	27	22	61
9200	12	19	38	78
9225	6	12	57	96

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 1430 Puts 2004

LIFFE SHORT STERLING

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8850	94	109	11	19
8875	75	90	17	25
8900	57	73	24	33
8925	42	58	34	43
8950	29	44	46	54
8975	20	33	62	68
9000	13	24	80	84

Estimated volume total, Calls 660 Puts 625
Previous day's open int. Calls 10229 Puts 9451

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
1.650	3.70	4.57	5.06	6.23	6.34	1.08	1.98	3.89
1.675	1.73	2.97	3.58	4.89	0.47	1.95	2.93	4.99
1.700	0.51	1.85	2.44	3.80	1.64	3.17	4.20	6.35
1.725	0.20	1.04	1.63	2.89	3.73	4.82	5.79	7.83
1.750	-	0.60	1.01	2.01	6.03	6.87	7.62	9.51
1.775	-	0.30	0.59	1.62	8.49	9.03	9.65	11.34
1.800	-	0.07	0.31	1.36	10.93	11.33	11.82	13.29

Previous day's open int: Calls 572,012 Puts 509,045
Previous day's volume: Calls 37,755 Puts 30,703

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-settlements Jul	Calls-settlements Aug	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Jul	Puts-settlements Aug	Puts-settlements Sep	Puts-settlements Dec
1.650	6.80	7.10	7.40	8.25	0.40	1.40	2.05	4.00
1.700	0.75	2.20	3.00	5.30	1.65	3.65	4.25	6.45
1.750	0.80	1.55	2.10	3.20	5.65	7.20	6.50	8.15
1.800	0.40	0.70	1.05	2.40	9.10	10.75	10.20	13.40
1.850	0.40	0.40	0.35	1.10	14.00	14.20	16.90	15.75
1.900	0.30	0.30	0.40	1.10	11.60	11.60	11.70	12.20
1.950	0.30	0.30	0.40	1.30	16.40	16.40	11.40	17.60

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 486 Puts 190

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	94-12	94-14	94-02	94-09
Dec	94-19	94-16	94-12	94-15

Estimated Volume 15931 (23388)
Previous day's open int. 42224 (42446)

7-10 YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Sep	86-24	86-30	86-22	86-30
Dec	85-30	86-02	85-27	86-03
Mar	85-07	85-10	85-07	85-12
Jun	84-16	84-19	84-14	84-21
Sep	83-27	83-30	83-27	84-00
Dec	83-09	83-10	83-08	83-13
Mar	-	-	-	82-27
Jun	-	-	-	82-10

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sep	0.7586	0.7595	0.7584	0.7547
Dec	0.7653	0.7656	0.7648	0.7611
Mar	0.7717	0.7719	-	0.7675
Jun	0.7780	0.7780	-	0.7750

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKETS

UK rates firm

THERE WAS a slightly firmer tone to interest rates on the London money market yesterday.

Trading was quiet, awaiting economic news from both sides of the Atlantic later this week, but the downward drift of sterling pushed rates higher. Three-month interbank finished at 10⅝-10¼ p.c., compared with 10⅛-10⅛ p.c. on Monday.

UK clearing bank base lending rate 10 per cent from July 4

The Bank of England initially forecast a money market shortage of £150m, but revised this to £200m at noon. Total help of £230m was provided.

Before lunch the authorities bought £190m bills outright, by way of £1m bank bills in band 3 at 9⅞ p.c.; £3m local authority bills in band 4 at 9⅞ p.c.; and £186m bank bills in band 4 at 9⅞ p.c.

The Bank of England did not operate in the money market during the afternoon, but provided late assistance of £40m.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £222m, with bank balances below target absorbing £50m. These factors outweighed Exchequer transactions adding £100m to liquidity, and a fall in the note circulation of £85m.

In Frankfurt the West German Bundesbank offered a securities repurchase agreement tender this week at an unchanged fixed rate of 3.75 p.c.

An earlier pact of DM13.1bn expires today, and dealers are waiting to see whether the central bank adds liquidity to the market.

Funds have been drained recently by Bundesbank intervention on the foreign exchanges. Banks borrowed DM5bn on Monday in Lombard borrowing from the Bundesbank at 4.50 p.c., reflecting the general shortage of money in the market.

Banks were paying around 4.50 p.c. for call money on the open market yesterday, in an attempt to build up reserve holdings at the Bundesbank. These stood at only DM55bn at the end of last week, just in line with the minimum requirement for the month.

Mr Helmut Kohl, Chancellor of West Germany, will attend tomorrow's meeting of the Bundesbank council.

In Brussels the Belgian National Bank increased the rate on its key three-month Treasury certificate rate to 6.85 p.c.

In Zurich the major Swiss banks raised customer time deposit rates by ¼ p.c. on all maturities.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 12) 3 months US dollars | 6 months US Dollars

bid	offer	bid	offer
[illegible]	[illegible]	[illegible]	[illegible]

MONEY RATES

NEW YORK (Lunchtime)

Prime rate, Broker loan rate, Fed.funds, Fed.funds at intervention — Treasury Bills and Bonds

[illegible]	[illegible]

July 12	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

July 12	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Feb. 89 Vol	Feb. 89 Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 35,665

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

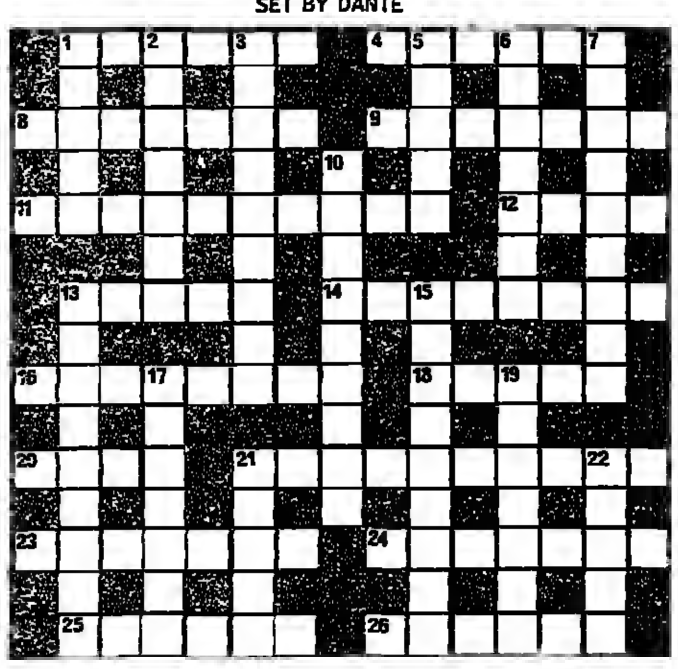
FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

JOTTER PAD

FT CROSSWORD No.6,680

SET BY DANTE



ACROSS

1 First two letters posted away (6)
4 Disturbance of increasing volume (6)
8 Kansas city involved with CIA (7)
9 He became proverbially rich from various sources (7)
11 Army shells explode without causing any damage (10)
12 He follows the account painfully (4)
13 Island for outcast in copper belt (5)
14 I am getting stout as a businessman (8)
16 Drainage construction plant (8)
18 Levels the odds (5)
20 Article on name-dropping (4)
21 Making our descent without a guide (10)
23 Graduate to cut amount left in bank account (7)
24 Rock 'n roll player? The latter certainly (7)
25 Big cuts she makes in fuel (6)
26 Instruction used in the services? (6)

DOWN

1 Tina comes up with a new name (5)
2 Plot developer (7)
3 Profit which may well be a smash hit in court (3,6)
5 Fun and games in parliament (5)
6 Outdoor writer bursting into love-song (4-3)
7 One shrugs off such vulgarity (9)
10 Reckoned the date and times are changed (9)
13 Its members were bound to work under strict supervision (5,4)
15 Recommend a course in physics (9)
17 Fresh lies and disclaimers (7)
19 Jobs for the boys (7)
21 Relation who takes the pledge (5)
22 She looks to be in the fifties even seen briefly outside (5)

Solution to Puzzle No.6,679

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ψ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust information pages.

FT UNIT TRUST INFORMATION SERVICE

	Init. Chge.	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing: 01-379 0860						
American Eagle	5	64.35	64.35xd	68.80	−0.37	1.20
Australia	5	8.350	8.350	8.910	−0.06	0.10
Commodity	5	82.35	83.39	88.83	−0.61	1.01
Convertible	5	149.8	149.8	161.2	—	5.42
Equity	5	150.3	150.3xd	161.5	−0.2	3.04
Euro Spec Sits	5	79.87	80.60	86.65	+0.01	1.25
Financial	5	32.17	32.17	34.63	+0.06	1.92
Global Opps Inc	5	58.41	58.63	63.05	−0.10	1.37
Global Opps Acc	5	58.41	58.63	63.05	−0.10	1.37
Gold Income	5	56.88	56.88	61.03	−0.42	0.81
Gold Acc	5	104.8	104.8	112.4	−0.8	0.81
Income	5	107.8	107.8xd	115.9	−0.7	4.06
Japan	5	121.7	121.7	130.3	+0.1	0.10
Pacific Income	5	117.6	117.6	126.0	−0.7	0.84
Pacific Re Inv	5	145.8	145.8	156.3	+0.9	0.84
Preference Share	5	24.77	24.85xd	26.78	—	6.92
Special Sits	5	103.5	103.5	111.2	—	0.56
Technology	5	42.62	42.62	45.92	−0.30	0.10
UK Capital	5	92.54	92.54	99.64	+0.14	1.22
World Income	5	52.82	52.82xd	56.63	+0.01	5.00
Worldwide Capital	5	148.6	148.6xd	158.8	−0.7	1.12
Equity Exempt	5	115.5	115.5xd	124.2	+1.1	1.97
Equity Exempt Acc	5	219.2	219.2	235.6	+2.0	1.47
Templeton Investment Mngmt (1000)						
20 Copthall Avenue, EC2R 7RA. 01-588 6064						
Intl Per & Gf Ucs	2	90.66	91.67	95.50	—	—
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 8545						
American Opps	5	40.94	40.94	43.50	+0.4	1.27
(Accum Units)	5	41.83	41.83	44.44	+0.39	1.27
European Opps	5	42.64	42.87	45.73	+0.03	1.05
(Accum Units)	5	42.88	43.11	45.98	+0.03	1.03
Far Eastern Opps	5	89.74	89.74	95.35	+1.02	0.44
(Accum Units)	5	90.02	90.02	95.65	+1.04	0.44
Golden Opps	5	38.92	38.92	41.35	+0.44	1.08
(Accum Units)	5	39.18	39.18	41.63	+0.45	1.08
Intl Hi-Yield	5	47.50	47.50	50.47	−0.59	3.91
(Accum Units)	5	47.98	47.98	50.98	−0.6	3.92
Japanese Opps	5	59.99	59.99	63.74	+0.21	0.89
(Accum Units)	5	59.99	59.99	63.74	+0.21	0.89
Kangaroo	5	35.18	35.18	37.38	+0.13	1.20
(Accum Units)	5	35.38	35.38	37.54	+0.13	1.20
Oriental Income	5	29.54	29.54	31.39	+0.11	1.97
(Accum Units)	5	30.05	30.05	31.93	+0.11	1.97
Pacific Technology	5	55.86	55.86	59.35	−0.1	0.00
(Accum Units)	5	55.86	55.86	59.35	−0.1	0.00
Tiger	5	90.05	90.05	95.64	+0.31	0.46
(Accum Units)	5	90.85	90.85	96.53	+0.32	0.46
UK Hi-Yield	5	40.72	40.72	43.27	−0.71	[illegible]
(Accum Units)	5	44.04	44.04	46.79	−0.77	[illegible]
UK Opps	5	47.58	47.58	50.67	+0.1	[illegible]
(Accum Units)	5	49.31	49.31	52.52	[illegible]	[illegible]

INSURANCES

	Bid Price	Offer Price	+ or −	Yield Gross
AA Friendly Society				
(Investment Mngt M & G Inv. Mngt Ltd)				
AA Friendly Sy July 8	—	141.4	—	—
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	242.3	255.1	+0.5	—
Equity Ser. 1	116.5	122.7	−0.5	—
Prop. Acc. Ser 2	350.9	369.4	+0.8	—
Equity Ser 2	132.3	139.3	−0.5	—
Selective Acc.	285.6	300.7	+0.1	—
Prop. Ser. 4	276.0	290.6	+0.5	—
Equity Ser. 4	134.3	141.4	+0.4	—
Fixed Int. Ser. 4	210.2	221.4	+0.6	—
Indexed Ldr. Ser. 4	120.6	127.1	+0.7	—
American Ser. 4	266.8	280.9	−0.6	—
High Inc. Ser. 4	374.8	399.8	+0.3	—
Japan Ser 4	280.4	295.2	+1.7	—
Man. Ser. 4	375.4	395.2	−0.5	—
Money Ser. 4	216.5	227.9	+0.2	—
European Ser.	94.9	99.9	−0.1	—
Pension Funds				
Property	466.2	490.7	+1.3	—
Equity	955.9	1006.3	−4.0	—
Selective	304.3	320.4	+0.5	—
Managed	684.3	720.4	−1.5	—
Security	396.9	417.8	+0.7	—
Fixed Int.	234.8	247.2	−0.7	—
European	131.2	138.2	+0.5	—
American	221.1	232.8	+0.6	—
Japan	300.8	316.7	+2.3	—
Indexed	127.9	134.7	+0.7	—
Internat'l Invst.	146.7	154.5	+0.5	—
Ethical	102.7	108.2	—	—
High Income	101.2	106.6	—	—
Abtrust Management Ltd				
20, Cobwell St, London, EC1V 4TY 01-374 6801				
Managed Growth	302.39	318.31	—	—
Managed Income	134.76	141.86	—	—
AEtna Life Insurance Co Ltd				
401 St John St, London EC1V 4QE 01-833 2903				
Life Funds (Accumulating Units)				
Squirrel	11.77	12.39	+0.00	—
Bear	12.25	12.90	−0.03	—
Owl	13.24	14.05	−0.03	—
Bull	13.73	14.46	+0.00	—
Stag	14.27	15.03	+0.05	—
Gilt-Edged		11.80	−0.03	—
Deposit		10.81	+0.00	—
North American	9.31	9.80	+0.03	—
European	7.98	8.40	−0.02	—

OTHER UK UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	269.5	283.7	—	—
Mut Pens Inc & Cap Fds.	345.3	363.5	—	—
Money Fund	113.0	119.0	—	—
Pens. Mngd Fd (Init)	91.5	96.4	—	—
Pens Mngd Fd (Acc)	104.9	110.5	—	—
Pens FT30 Fd (Init)	129.5	136.4	—	—
Pens FT30 Fd (Acc)	148.6	156.5	—	—
Pens O'seas Mgd (Init)	60.5	63.5	—	—
Pens O'seas Mgd (Acc)	69.2	72.9	—	—
Pens Fxd Int Fd (Init)	102.7	108.2	—	—
Pens Fxd Int Fd (Acc)	117.8	124.0	—	—
Pens Deposit Fd (Init)	101.5	106.9	—	—
Pens Deposit Fd (Acc)	116.4	122.6	—	—

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	101.0	107.0	—	—
Building Soc. Fd	162.0	171.0	—	—
Balanced	247.0	260.0	—	—
Deposit	162.0	171.0	—	—
European	130.0	137.0	—	—
GT Managed	156.0	165.0	—	—
Gartmore Mngd	104.0	110.0	—	—
German	94.0	99.0	—	—
Gilt	168.0	177.0	-1.0	—
High Inc.	114.0	120.0	—	—
International Equity	160.0	169.0	—	—
Japan	223.0	235.0	—	—
Managed	55.0	58.0	-1.0	—
Property	258.0	272.0	—	—
R. W. Imperial Gold	132.0	139.8	—	—
UK Equity	327.0	345.0	—	—
Pension Funds				
American	125.0	132.0	—	—
Building Soc. Fd.	153.0	162.0	—	—
Balanced	187.0	197.0	—	—
Deposit	151.0	159.8	—	—
European	127.0	134.0	—	—
GT Managed	165.0	174.0	—	—
Gartmore Mngd	99.0	105.0	—	—
German	89.0	99.0	—	—
Gilt	141.0	149.0	—	—
International Equity	117.0	124.0	—	—
Japan	130.0	137.0	—	—
Managed	55.0	58.0	—	—
Property	196.0	207.0	—	—
UK Equity	279.0	294.0	—	—

Prolific Life & Pensions Ltd (z)
Stramongate, Kendal, Cumbria LA9 4BE 0539 33733

	Bid Price	Offer Price	+ or −	Yield Gross
Balanced Grth Mngd	524.7	552.9	+1.0	—
Cash Fd	217.8	229.6	+0.0	—
Property Fund	260.1	274.1	+0.0	—
Equity Fund	577.7	608.8	+2.4	—
Fxd Int. Fund	288.3	303.8	+0.4	—
International	263.4	277.6	+0.6	—
High Income	418.5	441.0	+0.4	—
Far East	386.3	411.0	+4.1	—
North American	227.0	239.3	+0.7	—
Special Sits	518.6	546.5	+2.1	—
Technology	236.1	248.8	+0.0	—
Extra Inc Fd	240.4	253.4	+0.3	—
Convertible & Gilt Fd	150.3	158.4	+0.1	—
American Income	108.0	113.9	+0.2	—
GIK Fund 20	293.5	312.3	+0.3	—
European Fund	83.3	87.8	+0.0	—

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

UK LISTED

[illegible]

OFFSHORE INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99¼	83½	Redemption 3pc 1986-96	99	.....	3.03	7.37
100¼	99½	Treas. 9½pc '88	99¾	.....	9.52	10.15
102½	100½	Treas 11½pc 1989	100½	−⅛	11.42	10.22
101½	99½	Treas 9½pc Cnv 1989	99½	−⅛	9.54	10.07
97¾	95¼	Treas 3pc 1989	96¼	−⅛	3.09	6.73
102¼	100¼	Treas 10½pc 1989	100¼	−⅛	10.47	10.15
102	99¾	Exch. 10pc 1989	99¾xd	−⅛	10.01	10.14
103½	100½	Exch 11pc 1989	100½	−⅛	10.91	10.18
97¾	95¼	Treas 5pc 1986-89	96¼	−⅛	5.19	8.11
104½	100½	Exch 10¼pcCv '89	100½	−⅛	10.20	9.79
107½	104	Treas 13pc 1990‡‡	104xd	−⅛	12.50	10.06
104¾	101¼	Exch 11pc 1990‡‡	101¼xd	−⅛	10.85	10.03
107¼	103⅝	Exch. 12½pc 1990	103⅝	−⅛	12.07	10.11
93¾	91¼	Treas. 3pc 1990	92¼	.....	3.25	7.04
99¾	97¼	Treas 8¼pc 1987-90‡‡	97¾	.....	8.45	9.62
102¼	97½	Treas. 8pc Cv 1990‡‡	97½xd	−⅛	8.15	9.04
103¼	99½	Treas. 10pcCv 1990	99½	−⅛	10.02	10.06
91½	88½	Exch 2½pc 1990	89⅝	.....	2.79	7.36
107¾	103½	Treas 11¾pc 1991	103½xd	−⅛	11.34	10.07
95½	92⅝	Funding 5¾pc '87-91‡‡	92⅞	.....	6.18	8.68
90½	87½	Treas. 3pc 1991	88⅝	.....	3.40	7.64
105½	100¾	Treas 10pc Cv '91‡‡	100¾xd	−⅛	9.93	9.72
107¾	102½	Exch. 11pc 1991	102½	−⅛	10.72	10.04
98½	94½	Treas. 8pc 1991	94½	−⅛	8.47	9.94
113½	108	Treas 12¾pc 1992‡‡	108xd	−⅛	11.80	9.98
104½	100	Treas 10pc 1992	100	−⅛	10.00	9.99
98¼	94½	Treas. 8pc 1992‡‡	94½	−⅛	8.50	9.91
106½	101½	Treas 10¼pc Cv 1992‡‡	101½	−⅛	10.34	9.99
86¼	83½	Treas. 3pc 1992	84¼	.....	3.56	7.74
112½	107¼	Exch. 12¼pc '92	107¼	−½	11.43	10.05
117½	111½	Exch 13½pc 1992	111½	−⅛	12.13	10.09
97¾	93½	Treas 8¼pc 1993	93½xd	−⅛	8.80	9.98
105¼	100¼	Treas 10pc 1993‡‡	100¼	−⅛	9.98	9.93
		Five to Fifteen Years				
115½	109½	Treas 12½pc 1993‡‡	109½xd	−⅛	11.40	9.99
93½	89⅝	Funding 6pc 1993‡‡	89⅝	−⅛	6.67	8.43
121¼	115¼	Treas 13¾pc 1993‡‡	115¼	−⅛	11.94	10.00
101½	94	Treas. 8½pc 1994	94xd	−⅛	9.04	9.93
125⅝	119¼	Treas 14½pc 1994‡‡	119¼	−⅛	12.18	9.97
120½	114⅝	Exch 13½pc 1994	114⅝	−⅛	11.78	10.10
105¼	100¼	Treas. 10pc Ln. 1994‡‡	100¼	−⅛	9.96	9.90
116½	110½	Exch. 12½pc 1994	110½	−⅛	11.30	10.11
101½	95½	Treas 9pc 1994‡‡	96¼	−⅛	9.35	9.78
114½	108½	Treas 12pc 1995	108½xd	−⅛	11.01	10.08
83¾	78½	Exch 3pc Gas 90-95	80	.....	3.75	6.71
106¼	100¼	Exch. 10¼pc 1995	101¼xd	−⅛	10.12	9.99
120¼	113½	Treas 12¾pc 1995‡‡	113½	−⅛	11.19	10.01
126¼	119½	Treas. 14pc '96	119½xd	−⅛	11.69	10.18
101¼	95¼	Treas. 9pc 1992-96‡‡	96¼	−⅛	9.37	9.73
133¾	126¼	Treas 15¼pc 1996‡‡	126½	−½	12.00	10.15
123¾	116¾	Exch 13¼pc 1996‡‡	116½	−⅛	11.33	10.05
105⅝	99¼	Conversion 10pc 1996	100	−⅛	9.99	9.97
124¼	117½	Treas 13¼pc 1997‡‡	117½xd	−⅛	11.23	10.05
108¼	101½	Exch 10½pc 1997	102¾	−⅛	10.21	9.99
98½	92	Treas 8¾pc 1997‡‡	93¼	−⅛	9.35	9.83
98½	92½	Tr 8¾pc Ln "C" 1997‡‡	93¾	−⅛	9.39	9.83
134½	127⅝	Exch 15pc 1997	128¼	−⅛	11.71	10.22
104	97¼	Exch. 9¾pc 1998	98½xd	−⅛	9.87	9.95
87¼	81¼	Treas 6¾pc 1995-98‡‡	83¼	−⅛	8.10	9.37
140¼	132½	Treas. 15½pc '98‡‡	133½	−⅛	11.62	10.15
118¼	111¼	Exch. 12pc 1998	112½	−⅛	10.68	10.03
103¾	96¼	Treas 9½pc 1999‡‡	98¼xd	−⅛	9.65	9.73
120½	113½	Exch. 12¼pc 1999	114¼	−⅛	10.72	10.02
109¼	102⅝	Treas. 10½pc 1999	103½	−⅛	10.12	9.92
107¼	100¼	Conversion 10¼pc 1999	102¼	−⅛	10.02	9.90
100¼	86½	Treas. 8½pc Ln 2000‡‡	91¾xd	−⅛	9.24	9.67
99½	93½	Conversion 9pc 2000‡‡	95¼	−⅛	9.46	9.70
126½	119	Treas. 13pc 2000	120¼xd	−⅛	10.80	10.04
106½	99½	Treas 10pc 2001	101¼	−⅛	9.85	9.77
129½	122½	Treas. 14pc '98-01	123⅝	−⅛	11.35	10.18
104¼	98¼	Conversion 9¾pc 2001	99½xd	−⅛	9.74	9.73
118¼	111¼	Exch. 12pc '99-02	112¼xd	−⅛	10.67	10.05
107¼	100¼	Conversion 10pc 2002	101½	−⅛	9.79	9.71
105¼	98¼	Treas 9¾pc 2002	100¼	−⅛	9.71	9.69
99¾	93⅛	Exch. 9pc 2002	94½	−⅛	9.46	9.62
		Over Fifteen Years				
131½	123½	Treas. 13¾pc 2000-03	125¼xd	−⅛	[illegible]	10.08
108	100½	Treas 10pc 2003	102½	−⅛	[illegible]	9.82
117¼	109½	Treas. 11½pc 2001-04	111¼	−⅛	[illegible]	9.87
108¼	100½	Treas. 10pc 2004	103¼	−⅛	[illegible]	9.58
59¼	54¾	Funding 3½pc '99-04	57¼xd	+⅛	[illegible]	8.45
104½	97¼	Conversion 9½pc 2004	99½	−⅛	[illegible]	9.54
104½	97¼	Conversion 9½pc 2005	99½	−⅛	[illegible]	9.52
113¼	105½	Exch. 10½pc 2005	108¼	−⅛	[illegible]	9.51
128¼	119½	Treas. 12½pc 2003-05	121¾	−⅛	[illegible]	9.72
92¼	85¼	Treas. 8pc 2002-06‡‡	87¾	−⅛	[illegible]	9.38
106½	99½	Conversion 9¾pc 2006	102¼	−⅛	[illegible]	9.48
121½	113½	Treas. 11¾pc 2003-07	115¼xd	−⅛	[illegible]	9.70
97¼	89½	Treas 8½pc 2007‡‡	92½xd	−⅛	[illegible]	9.30
137¼	128⅝	Treas. 13½pc '04-08	130½	−⅛	[illegible]	9.67
101½	94¼	Treas. 9pc 2008‡‡	97½	−⅛	[illegible]	9.27
92½	85	Treas 8pc 2009	88⅝	−⅛	[illegible]	9.24
101½	93¼	Conv 9pc Ln 2011‡‡	97¼xd	−⅛	[illegible]	9.26
68¼	62¾	Treas. 5½pc 2008-12‡‡	65¼	−⅛	[illegible]	9.02
89½	82½	Treas. 7¾pc 2012-15‡‡	85¾xd	−⅛	[illegible]	9.22

BRITISH FUNDS – Contd

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
130½	121¼	Exch. 12pc '13-'17	125½	−⅛	9.56	9.34
		Undated				
44½	41½	Consols 4pc	42⅞xd	.....	9.33	–
39½	37¼	War Loan 3½pc‡‡	38½	.....	9.18	–
52¼	48½	Conv. 3½pc '61 Aft	51¼	.....	6.83	–
33¼	30½	Treas. 3pc '66 Aft	31¾	.....	9.41	–
28½	26¼	Consols 2½pc	27	.....	9.26	–
28½	26¼	Treas. 2½pc	27	.....	9.26	–
		Index-Linked				
		(b)			(1)	(2)
121½	117½	Treas 2pc IL '90(84.6)	121¾xd	−⅛	0.67	2.32
103¼	99½	Do. 2pc '92‡‡(97.8)	103	+⅛	2.06	2.76
40¼	39½	Do 2pc '94(40)(102.9)	40¼	+⅛	2.55	2.98
139¼	127⅝	Do. 2pc '96(67.9)	139¼	+⅛	2.84	3.16
114½	103¾	Do 2½pc '01(78.3)	115¼	+⅛	3.64	3.87
111¼	101⅝	Do. 2½pc '03(78.8)	110¼	+⅛	3.72	3.93
112½	102¼	Do. 2pc '06(69.5)	111½xd	+⅛	3.78	3.95
105¼	95½	Do. 2½pc '09(78.8)	104¼	+⅛	3.80	3.96
109¼	99½	Do. 2½pc '11(74.6)	108¼	+⅛	3.81	3.95
90¾	82¾	Do. 2½pc '13(89.2)	89⅝xd	+⅛	3.63	3.94
98¼	88½	Do. 2½pc '16(81.6)	96¼xd	+⅛	3.77	3.91
95½	87¼	Do. 2½pc '20(83.0)	94¼	+⅛	3.73	3.85
80½	73	Do. 2½pc '24‡‡(97.7)	79¾xd	+⅛	3.68	3.79

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for October 1987:102.9 and for May 1988:106.2

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
109¼	100½	African Dv Bk 11¼ Ln 2010	103¼	−⅛	10.78	10.73
104¾	96½	Asian Dev Bk 10¼pcLn2009	99¼	−⅛	10.30	10.29
129½	120½	Australia 15½pc 2010	124½	−⅛	10.85	10.61
112½	103¾	Do. 11½pcLn2015	107¼	−⅛	10.59	10.53
110¼	103½	Euro Inv Bk 11pc Ln 2002	103¼	−⅛	10.43	10.25
105½	98½	Do. 10¼pc2004	100½	−⅛	10.28	10.25
120¼	112½	Int-Am Dev Bk 12½pc 2003	115¼	−⅛	10.82	10.38
98½	91¼	Do. 9¾pcLn 2015	94¼	−⅛	10.37	10.40
96½	86	Mlysia 10¼pcLn 2009	94¾xd	.....	11.35	11.41
109½	87½	Utd. Mexican States 16½pc 2008	109¼xd	−1½	15.10	15.01

CORPORATION LOANS

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
111	103½	Birmingham 13½pc 1989	103½xd	.....	13.04	9.48
115½	101½	Do. 11½pc 2012	105½xd	.....	10.90	10.90
94¾	87	GLC 6¾pc 1990-92	90½	.....	7.46	10.00
130	119½	Leeds 13½pc 2006	121½	.....	11.11	10.76
34	26¼	Liverpool 3½pc Irred	33xd	.....	10.61	–
97	91	LCC 6¾pc '88-90	93½xd	.....	7.22	9.90
30½	25	Do. 3pc '20 Aft	30	.....	10.00	–
112	100	Manchester 11½pc 2007	109½xd	.....	10.50	10.40

COMMONWEALTH & AFRICAN LOANS

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
93½	88	NZ 7¼pc 1988-92	90	.....	8.06	10.40
207	197½	S Rhod 2½pc Non-Asstd	206	.....	–	–
80	71½	Do. 4½pc 87-92 Asstd	80	.....	5.63	–
130	42	Zimbabwe Ann (£100pd)	46xd	.....	–	–

LOANS

Building Societies

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100½	99½	N'wide 10pc 1.8.88	[illegible]	.....	[illegible]	10.07
100¼	99½	Do 10½pc 22.8.88	[illegible]	.....	[illegible]	10.26
100¾	99½	Do. 10½pc 12.9.88	[illegible]	.....	[illegible]	10.35
100¾	99½	Do. 10¾pc 26.9.88	99	−⅛	[illegible]	10.53
100¾	99½	Do 10¼pc 31.10.88	99	−⅛	[illegible]	10.55
100¼	99¼	Do. 9¾pc 28.11.88	99¼	−⅛	[illegible]	10.73
100½	99½	Do. 9¾pc 28.12.88	99	−⅛	[illegible]	10.73
100¼	99½	Do. 9½pc 23.1.89	99½	−⅛	[illegible]	10.75
100½	99¼	Do. 9½pc 20.2.89	99	−⅛	[illegible]	10.75
100¼	99½	Do. 9½pc 13.3.89	99	−⅛	[illegible]	10.74
100¼	98¾	Do. 9¼pc 17.4.89	98	−⅛	[illegible]	10.81
100¾	98⅞	Do. 9½pc 8.5.89	98	−⅛	[illegible]	10.85
0	0	Do. 8½pc 30.5.89	98	−⅛	[illegible]	10.90
100	87¾	Do. 3¼pcIL Ln 2021	91	+½	[illegible]	4.80

Public Board and Ind.

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
96	90	Agric. Mt. 5pc '59-89	95xd	.....	5.26	8.51
48½	40	Met. Wtr. 3pc 'B'	45	−2	6.67	10.26

Financial

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
105	101¼	3i 11¾pc Un Ln '90	101¼	−⅛	11.60	10.77
95½	88	Do 7¾pcADb89-92	90¼xd	−⅛	8.03	10.00
110	104⅝	Do. 12½pc Un. Ln. 1992	104⅝	−⅛	11.95	10.88
93½	88¼	Do. 7¾pc A 1991-94	88¼	−⅛	8.22	9.81
101¼	91¾	Do. 9pc A 1991-94	95½	−⅛	9.95	9.99
100	93¼	Do. 8¾pc Ln 1992-97	93¾xd	−⅛	9.50	10.03

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	45	.....	3.50	f7.78
45	33	Do. 6pc 28 Stb. Ass.	45	.....	3	f6.67
45	33	Do 4pc Mixed Ass.	45xd	.....	2	f4.44
75	63	Hung. '24 Ass.	75	.....	2.75	f3.67
140½	128½	Hydro Quebec 15pc 2012	133½	−⅛	15.00	10.93
128¼	118½	Iceland 14½pc Ln 2016	123½	−⅛	14.50	11.60
101¼	96½	Ireland 9¾pc '91-96	97½	.....	9.75	10.20

AMERICANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
29⅛	22¾	Abbott Laboratories‡	26¾xd	+⅛	$1.20	–	2.6
649p	405p	♦Allegheny & W 1c	458p	+1½	30c	–	3.8
15¾	862p	Amax $1	15⅝xd	−⅛	020c	–	–
31¾	16¾	Amdahl 5c	29⅛	−⅛	20c	–	0.4
31⅛	22	Amer. Cyanamid $5	30¼	.....	$1.20	–	2.3
16¾	11¾	Amer. Express 60c	16xd	+⅛	76c	–	2.9
10⅝	668p	Amer. Medical Int. $1	10⅝	+⅛	♦72c	–	4.0
27¼	13¾	American T. & T. $1	15⅛	−⅛	$1.20	–	4.6
54⅛	44¾	Ameritech $1	53⅛	+⅛	$5.40	–	–
27⅛	16½	Amlac‡	27	+⅛	–	–	–
18¾	15¾	Anheuser-Busch $1	18xd	.....	60c	–	2.0
831p	360p	BankAmerica $1‡	880p	−19	–	–	–
21½	16¼	Bankers N Y. $1	21⅛	−⅛	$1.86	–	5.1
42¾	34¼	Bell Atlantic $1	41⅛	+⅛	$4.08	–	5.8
25⅛	19⅝	BellSouth Corp.	24⅛xd	.....	$2.36	–	5.7
14¼	850p	♦Bethlehem Steel $8	13⅝	+⅛	–	–	–
15⅝	801p	Bio-Rad Labs. Inc. "A"	15⅛	+⅛	–	–	–
23⅛	15¼	Bowater Inc.	19¾xd	−⅛	92c	–	2.7
15⅛	11⅞	Browning-Ferris 16 6c	14¼xd	+⅛	48c	–	2.0
13⅛	787p	Brunswick 75c	12⅛	+⅛	44c	–	2.0
27⅛	21¾	CPC Intnl. 25c	26¾	−⅛	$1.44	–	3.1
17⅛	15¾	CSX $1	16¾	+⅛	$1.24	–	4.4
16¼	11½	CalFed Inc $1	15¼	+⅛	$1.40	–	5.4
16¾	12⅝	Campbell Soup 15c	14⅛xd	+⅛	84c	–	3.4
39⅝	31⅛	Caterpillar Inc $1	39¼	.....	75c	–	1.1
17¾	11¾	Chase Manhattan $12½	17⅛	−⅛	$2.16	–	7.3
18	11¼	Chem. Banking Corpn.	17⅛	+⅛	$2.72	–	9.1
15¾	11	Chrysler $6¼	15½xd	−⅛	$1.00	–	4.3
14½	9½	Citicorp $1	14⅛	.....	$1.48	–	6.0
297p	168p	CityFed Fin Corp	237p	+1	4c	–	1.0
25¾	20⅞	Colgate-Palmolive $1	25½	−⅛	$1.48	–	3.4
18⅛	13½	Cons Freightways 62½c	10⅛	+⅛	98c	–	3.2
300p	134p	Contl Illinois Corp $1	296p	+16	8c	–	1.6
14p	7p	Cont Illinois Hldgs $1	7¾p	+¼	–	–	–
395p	117p	♦Corporate Data Scnce	345p	+7	–	–	–
510p	300p	Cullinet Sftwr 1c	473p	+2	–	–	–
22¾	17⅞	Dana Corp $1	11½	.....	$1.52	–	4.1
15¼	10⅞	Data General	15⅞	.....	–	–	–
140p	44p	♦Derma-Lock Med.	121p	+3	–	–	–
31½	24½	Dun & Bradstreet $1	29	+⅛	$1.74	–	3.5
49	39⅛	Eaton Corpn. 50c	48⅛xd	+⅛	$2.00	–	2.4
18⅛	14⅞	FPL Group 1c	17⅞	+⅛	$2.20	–	7.2
18⅛	10⅛	First Chicago $5	10⅞	+⅛	$1.50	–	4.8
31¼	20⅛	Ford Motor $2	30⅛	−⅛	$2.40	–	4.6
28½	20⅛	GATX 62½c	27⅛xd	−⅛	$1.80	–	3.8
26⅛	20⅝	Gen. Elect. 63c	25¼	+⅛	$1.40	–	3.2
700p	425p	♦General Host Corp $1	665p	+15	28c	–	2.5
25¼	15¾	Gillette $1	23¼	−⅛	85c	–	2.2
803p	474p	Gt Am First Svgs Bk $1	680p	+47	60c	–	5.2
17¼	13⅛	Greyhound $1½	27¼xd	+⅛	$1.32	–	4.5
976p	654p	Hasbro Inc 50c	976p	+11	17c	–	0.7
800p	600p	Home Group $1	787pxd	+6	20c	–	1.5
42¼	28½	Honeywell $1½	41⅛	+⅛	$2.10	–	3.0
22	15¼	Hospital Corp Am $1	21⅛	+⅛	72c	–	1.9
19⅛	15¼	Houston Inds.‡	18¾	+⅛	$2.96	–	9.5
75¾	55¾	IBM Corpn $1¼	74½xd	+⅛	$4.40	–	3.5
20¼	16¾	IC Industries	19⅛xd	+⅛	96c	–	2.0
30½	23⅛	ITT Corpn. $1	30½xd	.....	$1.25	–	2.4
105p	40p	♦Image Storage/R Sys 1c	75p	.....	–	–	–
26⅛	17¾	Ingersoll-Rand $2	26¼xd	+2½	$1.04	–	2.3
12⅛	815p	Inalco $1	11⅞	.....	$1.00	–	4.9
26¼	10½	Lockheed Crpn. $1	25⅞	.....	$1.60	–	3.6
19⅛	11½	Lone Star Inds $1	13¼xd	+⅛	$1.90	–	6.0
19⅛	15¾	Louisiana Land 15c	17⅛xd	+⅛	$1.00	–	3.3
11⅞	860p	Lowe's 50c	12⅛xd	.....	44c	–	2.0
18¼	10⅞	Manuf. Hanover $7½	16½	+⅛	$3.28	–	11.4
15½	11½	Merrill Lynch $1	15⅛	+⅛	$1.00	–	3.8
24⅛	19½	Molex Inc	24⅛	.....	32c	–	–
23⅛	16½	Morgan (JP) $2½	22⅛xd	+⅛	$1.50	–	3.9
40⅛	32⅞	NYNEX $1	38⅛	+⅛	$4.04	–	6.2
19⅛	15	PHH	19⅛xd	.....	$1.12	–	3.4
308p	99p	♦Pacific Agr.‡	308p	+8	–	–	–
10⅛	757p	Pac Gas & Elect $5	991pxd	+11	$1.92	–	12.1
21⅛	16¾	Pacificorp $3¼	21¾	.....	$2.64	–	7.3
17¾	13¾	Pacific Telesis 10c	17¾	+⅛	$1.76	–	6.0
17½	13⅛	Pall Corp. 25c	16⅛xd	+⅛	40c	–	1.4
44⅞	34½	Pennzoil 83 1/3c	43⅛	+⅛	$2.20	–	3.0
20⅞	11⅞	Premark Intl.	20⅞	+⅛	60c	–	1.7
17⅝	12½	Primerica $1	15⅛xd	.....	$1.60	–	6.0
26⅛	21¾	Quaker Oats $5	25⅞xd	+⅛	$1.00	–	2.3
29⅝	23⅛	RJR Nabisco Inc	29⅝	+⅛	$1.92	–	3.8
26⅝	21	Rep NY Corpn $5	25¼xd	+⅛	$1.20	–	2.8
12⅛	9½	Rockwell Intl $1	12⅛xd	+⅛	72c	–	3.4
24¾	18¾	Sara Lee $11/3	21⅛	+⅛	$1.20	–	3.2
23⅛	18	Southwestern Bell $1	22⅞xd	+⅛	$2.48	–	6.4
20⅝	11	♦Staley Continental‡	20¾	.....	80c	–	2.3
35½	27¼	Sun Co. Inc. $1	34⅛xd	−⅛	$3.00	–	5.1
28¾	22¼	TRW Inc. 62½c	28	+⅛	$1.60	–	3.4
28⅛	21¼	Tenneco $5	28¼	−⅛	$3.04	–	6.2
28⅝	29½	Texaco $6.25	27⅝	−⅛	♦$3.00	–	6.4

Continued on next page

	Bid Price	Offer Price	+ or −	Yield Gross
Oppenheimer Managed Assets Co				
European Managed	SFr52.20	55.48	—	–
Global Income	$8.85	9.39	—	6.79
International Managed	$7.57	8.04	—	–
Pacific Managed	$8.42	8.95	—	–
Worldwide Recovery	$9.29	9.87	—	–
Orbitex Bahamas Ltd				
Orbitex Growth Fund	$3.8437	4.2281	—	–
Orbitex Nat Res Fd	[illegible]	8.3667	—	–
Singer & Friedlander Ldn. Agents				
Tokyo Tst NAV July 4	$17.50		—	1.7
Smaller Cos Tst June 30	132.5	139.5	—	3.5
Skandifond				
Skandinaviska Enskilda Banken				
Equity Int. Acc.	$10.30	10.82	−0.04	–
Equity Int. Inc.	$9.94	10.45	+0.04	–
Equity Gold	$0.99	1.05	.....	–
Equity Japan Acc.	Y100.0	106.0	−0.91	–
Equity Japan Inc.	Y100.0	106.0	−0.91	–
USA Income Portfolio				
NAV July 11		$9.42	—	–
US Federal Securities Fund SA				
NAV July 11		$9.83	—	–
US Pacific Stock Fund				
NAV July 12		$15.70	—	–

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

Bank of Ireland
36 Queen St, EC4R 1BN 01-329 4500
2,000-9,999 9.772 7.500 10.000 Qtr
£10,000+ 10.098 7.750 10.330 Qtr

Bank of Scotland
38 Threadneedle St, EC2P 2EH. 01 601 6746
Money Mkt Cheque Acc. 8.50 6.52 8.96 Mth

Barclays Prime Account
PO Box 125, Northampton 0604 252891
High Int. Cheque 7.75 6.00 8.18 Qtr

[illegible]

LONDON SHARE SERVICE

AMERICANS – Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
58½	43¼	Time Inc. $1	57¼xd	+1	$1.00	–	1.0
20⅞	15⅜	Transamerica $1	19¼xd	+¼	$1.84	–	5.6
10⅞	754p	Transworld Corp $5	10¼	.....	20c	–	1.1
20⅛	14½	TRINOVA Corp.	16½xd	–⅛	56c	–	2.0
19	11¼	USX $1	18⅞	+⅛	$1.20	–	3.8
23	17⅞	Utd. Technologies	21⅝xd	–⅛	$1.60	–	4.3
33½	26¼	US West	32⅞	+⅛	$3.52	–	6.3
21½	16⅞	Waste Management $1	21½xd	+¼	48c	–	1.3
16⅞	15⅛	Whirlpool $1	16¼	+⅛	$1.10	–	3.9
32½	18¼	Woolworth $3½	29⅛	–⅛	$1.64	–	3.2

CANADIANS

1988 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp	233p	+3	–	–	–
32p	11p	Abbot Energy Corp.	25p	.....	–	–	–
14¼	990p	Amer. Barrick Res.	11½	–⅛	–	–	–
10p	3½p	American Lightwave	5p	–½	–	–	–
47p	18⅞p	Armeno	20½p	–1	–	–	–
76p	4½p	Argmitto Explo.	66½p	–2	–	–	–
13⅝	10⅝	Bk. Montreal	15⅜	.....	$2.00	–	7.1
676p	514p	Bk. Nova Scot.	668p	+5	76c	–	5.5
18¼	15¼	BCE	18¼xd	+⅛	$2.44	–	6.5
716p	591p	Bow Valley	686p	–8	40c	–	2.8
11½	10⅛	Brascan	11½	.....	88c	–	3.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

كاملة/ ١٠ ورق

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

High	Low	Stock		Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]									
51	43½	Pennine Optical 2½p	y	46	.....	–	–	–	12.4
60	33	Propeller 1p	y	58	.....	–	–	–	♦
11	13	Publishing Hldgs 5p	y	20	.....	–	–	–	12.0
210	150	Royal Sovereign 10p	y	210	.....	4.6	1.9	2.9	19.6
26	22½	Scott Pickford 10p	y	25½	.....	3.1	0.7	16.3	13.2
81	68	Seacon Hldgs	y	01	+1	–	–	–	–
27	18	Stats Hldgs. 5p	y	21	.....	–	–	–	♦
4½	3	Swangard Studios 1p	y	3¼	.....	–	–	–	♦
278	200	Tatare	y	276	.....	b1.0	8.1	0.5	28.5
70	41	Theme Holdings	o	63	.....	♦1.1	♦	2.3	♦
36	26	Tomorrows Leisure 20p	y	31	.....	–	–	–	12.4
25	15½	Tullow Oil 10p	y	23	−1	–	–	–	–
155	115	UPL Group 10p	y	115	−2	L2.42	♦	2.8	♦
150	120	Unit Group	y	150	+2	5.0	♦	4.4	♦
[illegible]	85	Video Tape Record 5p	y	103	+3	L2.3	2.3	3.0	14.8

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ‡ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	y	71	+1
Craig & Rose £1	y	700	.....
Finlay Pkg. 5p	y	86	.....
Holt (Jos) 25p	y	£11¾	−¼

IRISH

Nat. 9¾ % 84/89	£100¼	.....
9pc Cap Ln. 1996	£98¾	.....
Fin. 13% 97/02	£119	.....
Arnotts	y	380	.....
CPI Hldgs	y	130	.....
Carrol Inds	y	158	.....
Hall (R. & H.)		140	−2
Helton Hldgs	y	52	.....
Irish Ropes	y	166	.....
Unidare	y	440	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	58
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	18
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property

Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils

Brit. Gas	15
Brit Petroleum	24
Burmah Oil	30
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines

Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Jul 4	Jul 14	Jul 15	Jul 25
Jul 18	Jul 28	Jul 29	Aug 8
Aug 1	Aug 11	Aug 12	Aug 22

*New time dealings may take place from 9.00 am two business days earlier.

Near-dated Government bonds turn easier and equities fall sharply in late dealings

THE LONDON market's uncertainty ahead of this week's batch of economic data flared up late yesterday when Wall Street opened sharply lower and a shiver of base rate nerves ran through near-dated Government bonds. *Index-linked (IL) Gilts*, the market indicator of inflation concern, rose by nearly half a point and a large buyer took out the whole of the £100m IL 2020 tap stock.

Turnover was very low in both Gilts and equities, however, and traders commented that genuine investment activity has fallen away as the City awaits the US trade figures and the UK Retail Price Index, wage and employment figures, all due before the end of the week.

Nervousness in the Government bond sector also reflected worries over the potential impact on sterling of sliding oil prices. Kleinwort Grieveson, the UK securities house, reported that Opec oil production had jumped to 19.6m barrels per day so far this month, a gain of 1m b.p.d on the June comparable figure, implying increased output by the major Gulf producers and further downward pressure on crude prices.

Equities, although dull throughout, showed only modest falls until the final hour, when the international leaders fell sharply as Wall Street opened lower amid reports of discounts on stock index futures.

The FT-SE Index, only 8.6 down at 4.00pm, closed a net 18.3 off at 1858.5. Seaq volume was low at 398m shares (416m), with the total again boosted to some degree by a batch of speculative situations.

In addition to a round of sharp falls in oil shares as the sector digested the continued setback in crude oil prices, the final hour of trading brought falls in international industrial equities. Wall Street-orientated issues, such as Consolidated Gold Fields, Glaxo and Wellcome dipped smartly. ICI also lost ground, although traders discounted a revival of the old rumours that a rights issue is possible.

The Saudi contract continued to help British Aerospace although an early gain in the shares was trimmed as the market waited for a statement today on the renegotiation of the Rover Group deal.

Government bonds moved lower in quiet trading until the end of the session, when prices at the long end were forced higher as traders tried to buy stock to meet earlier selling commitments. Gains were finally around ⅛ in the twenty year range.

However, this contrasted with a dip of about 3/16 in the short-dated stocks, which flinched as London money market rates edged slightly higher. While this minor shift in the yield curve was ascribed to nervousness ahead of Thursday's economic data, there were some worries over base rates.

The Index-linked 2020 tap stock of £100m, which has lain dormant since issue in mid-April, was taken out of the Bank of England's coffers by a single buyer. Traders were uncertain whether the rise in the rest of the IL sector was merely a technical follow-through to the tap buyout, or whether it indicated deeper worries over the inflation outlook.

Ranks Hovis McDougall recorded the day's best gain by far among leading stocks, rising 18 to 440p on turnover of 5.2m shares. The market was inundated with variations on recent rumours, the most persistent being that Goodman Fielder had raised an A$3bn credit line to finance a bid around 475p per share on the back of its existing 29.9 per cent stake.

Some dealers were sceptical, however, preferring to believe that Goodman had in fact at last disposed of its stake, apparently to *Sir Ron Brierley, the New Zealand* entrepreneur. Brierley is believed to be about to launch a bid around the 440p level in order to flush out rival predators - at least one other substantial stake in RHM is known to exist.

Yale & Valor rose strongly in early trading ahead of confirmation from Williams Holdings that it had purchased a 3.9 per cent stake in the security and electricals group. From a high of 442p Y&V shares fell to 421p on the announcement, before ending at 426p, a fall of just 3 on the day. Dealers had anticipated a slightly larger stake and felt an immediate bid from Williams was unlikely, but retained hopes that a takeover bid might still be forthcoming.

Mr Paul Hannah, director of corporate finance at Williams Holdings, confirmed that a statement had been made in order to end speculation and said, "We have a number of such investments in quoted companies". Rumours that another buyer has a near 5 per cent stake led to speculation that Williams might pass its holding on to a predator, possibly from the US. The price being mentioned in the market was between £5 and £6 per Y&V share. Williams Holdings closed down 7 at 283p.

The banking sector provided one of the day's outstanding features in Barclays which raced up to 418p as the market opened, *before turning easier much later* in the session to close a net 5 higher at 414p.

The initial buying interest was said to have come from BZW, which issued a positive note on the shares on Monday. Kleinwort Grieveson and Morgan Grenfell also came out with buy recommendations on the stock, Morgan saying the shares are a "Strong buy. With profits growing rapidly and a high prospective yield, the shares look good value." Kleinwort says "buy Barclays for the generous dividend payment and the longer term fundamentals".

British Gas topped the turnover league in oil and gas stocks with 10m shares changing hands through the SEAQ system. Dealers reported aggressive buying from one top UK securities house in early trading, with demand later supplanted by other firms. British Gas shares settled a fraction harder at 183p, after 183½p.

The oil majors, however, were badly mauled by the latest sharp decline in crude oil prices which mirrored worries of over-production and the impact of oil barter deals. BP "old" retreated 5 to 259p on turnover of 2.3m shares while the "new" dropped 4 to 61½p on turnover of 2.7m.

Shell suffered late in the session and settled 17 lower at 1043p. Rumours that Sir Ron Brierley is targetting RHM triggered selling of Ultramar which dipped 4 to 288p on turnover of 2.1m. Silkolene jumped to 340p before closing a net 10 up at 335p amid rumours of a possible acquisition.

International stocks suffered as the market turned down after Wall Street's poor performance and amid worries that the outlook was increasingly uncertain. Glaxo fell 19 to 993p, while ICI was marked down a similar amount to £10⅞, both falls reflecting signs of dollar weakness and the general outlook. Beecham slipped 8 to 468p and Fisons ended 7 worse at 267p.

Elsewhere there was little to remark. Hanson fell 3 to 141½p as 4.2m shares traded, but Saatchi & Saatchi edged a penny better on news that its rights issue had been successfully placed. BOC announced the buy-out of its US carbon plants and closed 4 worse at 418p.

Exceptionally good new life business figures for the half-year from Legal & General were said by dealers to be "in the price" and the shares drifted off 4 to 325p on a disappointing turnover of only 1.2m. There were *also stories in the market* that a major "switch" into Prudential was being carried out, ahead of new business figures from the latter, whose shares held at 168p after turnover of 1.7m. Elsewhere in lifes London & Manchester lost 5 to 285p.

Composites were "very disappointing" according to traders, but they reported an exception in Royals which hardened 2 to 424p with the market full of rumours that news regarding a possible tie-up with Group Victoire is imminent.

Allied Lyons fell 9 to 427p, down with the market, while Guinness slipped 5 to 344p in volume of 3.4m shares as dealers confirmed that Louis Vuitton Moet Hennessy had bought shares on Monday.

The turnround in market sentiment prompted the unwinding of speculative positions in some of the recent Building sector favourites. Blue Circle, boosted recently by bid talk, ran into selling and fell 12 to 451p, but volume amounted to only 1.2m shares. Raine Industries, the subject of a speculative flurry in Monday's late dealings, gave up 6 to 106p. Elsewhere, better-than-expected half-year figures left McAlpine 7 firmer at 425p and encouraged SBCI Savory Miln to increase its full year pre-tax profits forecast for the group from £29.8m to £31m.

In an off-colour Stores sector Burton attracted buying interest *following the sale (and leaseback)* of 19 freehold properties worth £50m. Backed by the news, and a buy note from securities house County NatWest WoodMac, Burton eventually closed 4 better on 223p.

Of the other leading stocks Dixons dropped 3 to 178p ahead of today's annual figures which are expected to be disappointing. Sears lost 3 to 120p on profit-taking amid rumours that Morgan Stanley was still picking up stock prior to a possible bid above the 150p mark. Storehouse fell 5 to 238p on reports that property developers Mountleigh have dropped their bid plans for Storehouse and turned their attention to Dee Corporation instead. Trading in second-liner Amber Day was suspended at 76p a few hours before the company announced that it had paid Ford Sellar Morris Properties £5.25m for Barrie Menswear (London).

Ferranti topped the list of active stocks in the electronics leaders with 5.2m traded ahead of Thursday's preliminary figures which Morgan Grenfell forecast will come out at £69m against £50.2m; the shares hardened to 89p with sentiment said to have been boosted by the recent Saudi £10bn defence order.

British Telecom attracted turnover of 5.1m with dealers citing buying for the dividend, but Cable & Wireless were unsettled by stories that the company had missed out in the Hong Kong cable television contract race. BSR jumped 7 more to 104p awaiting news of the merger approach. Takeover speculation lifted Unitech 12 to 248p. Eurotherm, scheduled to announce interims on July 19 — Kleinwort's forecast is £5.3m and Morgan Grenfell's £5.2m against last time's £4.1m — raced up 8 to 396p.

Alba put on 6 to 103p after a "buy" recommendation from Hoare Govett's Howard Tisshaw who says the company's growth record and prospects for strong organic growth over the next few years are excellent. A "buy" recommendation from Mark Loveland's electronics team at Warburg Securities lifted Northamber 10 to 350p.

British Aerospace, up to 477p at one stage, reacted to close a shade better on the day at 466p. Volume at 5.5m remained high as dealers await the European Commission's decision on BAe's bid for Rover.

Parkfield Group responded to the preliminary figures with a gain of 8 at 365p, while Johnston Group, a current SBCI Savory Miln recommendation, advanced to close 15 higher at 435p for a two-day gain of 35. Cookson's takeover bid for Wolstenholme Rink made for further uncertainty in Johnson Matthey which eased to 370p, down 9. Cookson recently acquired a 5.3 per cent stake in Johnson Matthey and the market has pinned its hopes on an outright bid for the latter.

USM quoted Creighton Laboratories continued to make headway after the bumper preliminary figures, rising 17 to 307p.

Asda drifted badly after Monday's results, falling 7 to 151p as 5.7m shares changed hands, while Argyll gave up 4 to 184p.

Companies boosted recently by the Saudi Arabian arms deal ran into occasional profit-taking, with Vosper Thornycroft receding 10 to 209p and Westland 6 to 104p.

Rolls-Royce, a strong market of late following a presentation to fund managers, became a much quieter market (volume amounted to 2.4m) and eased back a few pence to 144p.

Chrysalis crashed 25 to 113p after a profits warning from the Board. Trusthouse Forte fell 8 to 257p in volume of 5m shares - dealers described recent rumours as ridiculous. Thames TV put on 9 to 338p in a very thin market.

Turnover in Jaguar remained at a high level (around 5.8m shares changed hands),but sellers predominated in the wake of a reported denial of recent stakebuilding rumours by the company,and the shares close 9 off at 308p.

Frogmore Estates rose 14 to 408p on stakebuilding rumours. Mr Philip Davies, managing director, said the company's brokers had reported furious trading in the morning, which later tailed off. Mr Davies put the similarities with Peachey and the fact that both were due for revaluation at the same time, rather than the attention of a hostile stake-builder. "Obviously, if someone comes along tomorrow and says here's £4.10 per share we will sit down and listen."

London & Edinburgh Trust slipped a penny to 159p on the news that John and Peter Beckwith (LET's chairman and managing director, respectively) had bought another 5.5m shares at 158p to increase their stake in the company to 29.4 per cent. Markheath improved tuppence to 94p after reporting a rise in annual profits from £1.1m to £6.9m, while headliner-grabbers Peachey eased 7 to 618p after concerted profit-taking.

On a quiet day in Traded Options only 18,056 calls and 9,520 puts were traded, totalling 27,576 contracts. British Aerospace attracted the most interest with 2,843 calls and 335 puts, followed by Cadbury Schweppes with 1,902 calls and 530 puts.

Traditional Options

- First dealings July 11
- Last dealings July 22
- Last declarations Oct 13
- For Settlement Oct 24

For rate indications see end of London Share Service

Stocks to attract money for the call included Sutherland Holdings, Edmond Holdings, Kwik-Fit, Scottish & Newcastle, Pilkington, Owners Abroad, Morgan Grenfell, SI Group, Trusthouse Forte, Federated Housing, Burton Group, Dares Estates, and Knight Brown and Jackson. A put was arranged in Pleasurama, while Scottish &Newcastle were dealt in for the double.

FINANCIAL TIMES STOCK INDICES

	July 12	July 11	July 8	July 7	July 6	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	87.78	87.98	87.90	88.02	88.08	90.70	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.27	97.43	97.38	97.11	97.42	98.30	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1494.3	1510.5	1506.8	1484.2	1494.3	1892.6	1510.5 (11/7)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	217.5	218.5	221.6	218.5	214.7	413.4	312.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.50	4.45	4.46	4.53	4.49	3.05				
Earnings Yld. % (full)	11.42	11.29	11.33	11.49	11.42	7.40				
P/E Ratio (net)(*)	10.66	10.78	10.75	10.60	10.66	16.60				
SEAQ Bargains (5pm)	25,385	28,555	27,320	25,338	26,340	54,795				
Equity Turnover (£m)	-	986.32	1288.97	1445.07	1252.30	1584.11				
Equity Bargains	-	31,599	36,970	26,834	26,074	69,093				
Shares Traded (ml)	-	446.5	451.1	474.2	419.6	827.0				

S.E. ACTIVITY Indices	July 11	July 8
Gilt Edged Bargains	146.9	148.3
Equity Bargains	204.7	178.7
Equity Value	1993.6	2605.3
5-Day average		
Gilt Edged Bargains	160.6	174.3
Equity Bargains	174.8	166.1
Equity Value	2441.8	2396.2

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1508.3	1504.9	1503.0	1503.6	1504.4	1503.6	1504.2	1502.0

Day's High 1508.6 Day's low 1494.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.56.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (188).

BRITISH FUNDS (1) AMERICANS (7) CANADIANS (2) BANKS (6) BREWERS (4) BUILDINGS (9) CHEMICALS (3) STORES (4) ELECTRICALS (15) ENGINEERING (2) FOODS (6) INDUSTRIALS (30) INSURANCE (3) LEISURE (3) MOTORS (2) NEWSPAPERS (2) PAPERS (4) PROPERTY (6) SHIPPING (4) TRUSTS (29) OILS (2) PLANTATIONS (1) MINES (2) THIRD MARKET (3).

NEW LOWS [illegible]

BRITISH FUNDS (30) LOANS [illegible] 12½pc Un. Ln. 1992. .Do. [illegible] STORES (1) Ward White Cv. [illegible] (1) Synapse Computer, FOODS [illegible] INDUSTRIALS (2) CCF, Tech. [illegible] LEISURE (1) Chrysalis, TRUSTS [illegible] Wrtns., OILS (1) Southwest [illegible] Zandpan, THIRD MARKET (1) [illegible]

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday July 12 1988: Index No., Day's Change %, Est. Earnings Yield% (Max.), Gross Div. Yield% (Act at 25%), Est. P/E Ratio (Net), xd adj. 1988 to date	Mon Jul 11 Index No.	Fri Jul 8 Index No.	Thu Jul 7 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (56)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (187)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (93)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (488)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (122)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (51)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (78)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (710)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX ♦	1858.5 -18.3 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Tue Jul 12	Day's change %	Mon Jul 11	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	120.67	-0.16	120.89	0.04	6.14
2 5-15 years	136.53	-0.18	136.78	-	7.17
3 Over 15 years	146.98	-0.06	147.07	-	6.88
4 Irredeemables	162.94	+0.02	162.90	-	7.30
5 All stocks	133.98	-0.15	134.20	0.01	6.01
Index-Linked					
6 5 years	128.14	+0.08	128.04	-	1.12
7 Over 5 years	120.22	+0.33	119.82	-	1.89
8 All stocks	120.71	+0.30	120.34	-	1.82
9 Debentures & Loans	117.23	-	117.23	-	6.47
10 Preference	93.59	-0.10	93.68	-	3.31

AVERAGE GROSS REDEMPTION YIELDS		Tue Jul 12	Mon Jul 11	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.57	9.49	8.16
2	15 years	9.46	9.45	8.97
3	25 years	9.23	9.22	8.97
4 Medium Coupons	5 years	10.03	9.96	9.27
5	15 years	9.69	9.68	9.19
6	25 years	9.43	9.42	9.19
7 High Coupons	5 years	10.12	10.05	9.26
8	15 years	9.85	9.85	9.34
9	25 years	9.49	9.51	9.18
10 Irredeemables		9.43	9.57	8.85
Index-Linked				
11 Inflation rate 5%	5yrs	2.65	2.68	2.48
12 Inflation rate 5%	Over 5 yrs	3.86	3.90	3.77
13 Inflation rate 10%	5yrs	1.70	1.71	2.12
14 Inflation rate 10%	Over 5 yrs	3.72	3.74	3.72
15 Debs & Loans	5 years	10.88	10.88	10.12
16	15 years	10.85	10.85	10.12
17	25 years	10.85	10.85	10.12
18 Preference		9.62	9.61	10.16

♦Opening index 1874.2; 10 am 1870.9; 11 am 1868.7; Noon 1869.8; 1 pm 1870.4; 2 pm 1870.1; 3 pm 1870.5; 3.30 pm 1871.2; 4 pm 1868.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p. CONSTITUENT CHANGES: Amari (8) has been deleted. Evode Group (42) has been inserted. Hollis (32) has changed to Pergamon Professional & Financial Services.

LONDON TRADED OPTIONS

Option		Calls Jul.	Calls Oct.	Calls Jan.	Puts Jul.	Puts Oct.	Puts Jan.
Allied Lyons (*432)	390	43	57	65	1	5	9
	420	17	35	44	4	14	21
	460	2	13	24	32	35	40
Brit. Airways (*149)	130	20	-	-	½	-	-
	140	10	19	21	1	5	7
	160	1½	8	11	13	15	19
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
LASMO (*453)	390	68	85	100	[illegible]	[illegible]	[illegible]
	420	42	65	77	[illegible]	[illegible]	[illegible]
	460	17	40	53	[illegible]	[illegible]	[illegible]
P. & O. (*575)	500	82	87	102	[illegible]	[illegible]	[illegible]
	550	37	45	70	[illegible]	[illegible]	[illegible]
	600	7	22	42	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

July 12 Total Contracts 27,576 Calls 18,056 Puts 9,520
FT-SE Index Calls 577 Puts 1,795
*Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	14	29	11
Corporations, Dominion and Foreign Bonds	1	29	22
Industrials	337	404	840
Financial and Properties	148	125	379
Oils	18	39	52
Plantations	3	-	7
Mines	53	55	81
Others	100	64	87
Totals	674	808	1,478

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid Up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Covered	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price	Amount Paid Up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price	Amount Paid Up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA | FRANCE | GERMANY (continued) | NETHERLANDS (continued) | SWEDEN (continued)

BELGIUM/LUXEMBOURG | SWITZERLAND

DENMARK | NORWAY | ITALY

FINLAND | SPAIN | SOUTH AFRICA | GERMANY | NETHERLANDS | SWEDEN

JAPAN | AUSTRALIA (continued) | HONG KONG | AUSTRALIA | SINGAPORE

CANADA

TORONTO

Closing prices July 11

MONTREAL

Closing prices July 11

OVER-THE-COUNTER

Nasdaq national market, 2pm prices July 12

Continued from page 43

CHIEF LONDON PRICE CHANGES YESTERDAY

TOKYO – Most Active Stocks

Tuesday 12 July 1988

INDICES

NEW YORK DOW JONES

CANADA

NEW YORK ACTIVE STOCKS

	July 12	July 11	July 8	July 7	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1625.9	1629.1	1612.6	1599.8	1629.1 (11/7)	1170.7 (10/2)
All Mining (1/1/80)	830.9	841.1	828.7	822.1	842.1 (20/6)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	186.55	186.60	185.07	185.07	186.60 (11/7)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	4955.5	4950.6	4937.3	4970.5	5043.1 (9/3)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	223.81	224.41	225.36	225.56	226.57 (6/7)	180.68 (4/1)
FINLAND						
Unitas General (1975)	737.8	735.9	735.8	736.9	737.8 (12/7)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	(u)	365.7	368.5	367.8	368.5 (8/7)	251.3 (29/1)
Ind. Tendance(31/12/87)	133.7	135.1	136.3	137.6	137.6 (7/7)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	488.75	492.42	495.78	492.92	495.78 (8/7)	396.40 (29/1)
Commerzbank (1/12/53)	1487.5	1499.0	1507.3	1494.5	1507.3 (8/7)	1207.9 (29/1)
DAX (30/12/87)	1184.85	1196.59	1197.52	1188.59	1199.96 (5/7)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2772.53	2759.59	2752.90	2759.63	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	509.67	508.98	509.51	511.84	545.07 (18/3)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	28099.84	27985.99	27917.08	27728.13	28342.46 (17/6)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2207.97	2200.56	2197.91	2180.86	2219.98 (15/6)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	266.1	267.9	269.3	267.7	269.5 (6/7)	205.7 (4/1)
ANP-CBS Industrial (1970)	224.7	225.7	226.2	225.1	226.2 (8/7)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	410.04	409.64	408.68	414.56	416.18 (6/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1107.06	1095.80	1093.67	1079.42	1107.06 (12/7)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1384.0§	1439.0	1440.0	1451.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1737.0§	1752.0	1755.0	1740.0	1755.0 (8/7)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	295.99	295.02	294.02	294.20	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3023.3	(u)	3037.3	3021.9	3037.3 (8/7)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	551.3	555.3	554.3	552.3	555.3 (11/7)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	449.9	451.1	451.0	465.2 (15/6)	401.0 (21/1)

**Saturday July 9: Japan Nikkei (c) and TSE (c)

§ Subject to official recalculation

Base values of all indices are 100 except Brussels SE and DAX—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

Closing prices July 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR s	.36	1.4	22	474	26½	26¼	26½	
12⅛	8¾	ACMI4 n	1.19e	10.		327	11⅛	11½	11½	
12⅛	10⅝	ACMSc n	1.80	11.		327	11⅛	11⅛	11⅛	
16⅛	9½	ACMSp n				165	9½	9⅜	9⅜	
27⅝	19½	AGS			21	1199	27¾	27⅛	27⅛	
7⅜	2⅜	AMCA				82	4⅛	4⅛	4⅛	
6⅝	3¼	AM Ind				466	5⅛	5	5	– ⅛
29⅝	17	AM Int pf	2	9.6		24	20⅞	20⅝	20⅞	
65½	26¼	AMR			12	4640	47⅞	46⅝	47	– ⅛
27	25	ANR pf	2.67	11.		2	25¼	25⅛	25⅛	– ⅛
11⅛	5¾	ARX			11	27	6¼	6⅝	6⅛	– ⅛
72⅞	40½	ASA	3	7.2		618	42¼	41½	41⅝	– ⅝
22⅛	9½	AVX	.06e	.3	13	148	18⅜	18¼	18⅛	– ⅛
66⅞	40	AbtLab	1.20	2.7	16	3691	46⅞	45	40⅞	– ⅞
28	15⅛	Abrhbi g	1			69	18⅛	17½	17⅞	– ⅛
18¾	8⅛	AcmeC	.40	3.4		23	11⅞	11½	11⅝	+ ⅛
19½	6⅛	AcmeE	.32b	4.5	22	19	7⅛	7⅛	7⅛	
30	14⅛	AdaEx	2.30e	18.		61	16	15⅞	16	+ ⅛
19¾	6⅞	AdamMl	.24	1.6	13	50	15½	15⅛	15⅛	+ ⅛
24⅞	7½	AMD				12407	15½	14⅞	14¾	– ⅛
58¼	29¼	AMD pf	3	7.4		39	41½	40½	40½	–1½
11⅞	4⅝	Adobe			12	520	7½	7½	7½	
30¼	16¾	Adob pf	1.84	10.		8	18	17⅞	17⅞	
51⅛	17½	Adob pf	2.40	11		4	21⅛	21¼	21⅛	
13	5⅞	Advest	.12	1.6	8	278	8⅛	3½	3⅛	+ ⅝
64¼	39½	AetnLf	2.76	6.3	6	1797	44⅝	44⅛	44⅛	– ⅛
41¼	20½	AflPb n	.20	.7	40	2353	21½	26	26¼	– ⅞
23¼	13	Ahmans	.88	5.9	10	688	15⅛	14⅞	15	– ⅛
4	1⅛	Aileen				254	3⅝	3½	3½	– ⅛
53⅞	29	AirPrd	1.20	2.4	14	1186	50½	49⅝	49⅞	– ⅜
29⅞	11⅛	AirbFrt	.60	3.2	20	58	19	18⅛	18⅞	

[illegible]

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38½	27⅞	SCEcp	2.46	7.8	13	2759	32⅛	31⅞	32	
17	6	SCOR U	.10e	1.2	6	4	7⅞	7¾	7⅞	
13⅞	7⅞	SL Ind	.18b	2.3	14	3	8	8	8	
47⅝	20⅞	SPSTec	1	2.5	17	5	38⅛	38⅛	38⅛	−⅛
39⅝	21¼	SPX Cp	1.20	3.3	15	208	36⅛	36	36	−½
31⅛	13	SSMC			20	61	23¾	23⅛	23¾	+⅝
34⅞	16½	Saatchi	1.08e	5.7	8	597	19¼	13⅞	13	−⅛
14	10	SabnR	1.54e	13.	8	22	17⅛	11⅞	11⅞	
19⅝	9	SfgdSc			7	140	19⅛	15⅞	19⅞	
39½	21⅛	SafKln	.30	1.1	25	411	27	26⅛	27	+⅞
9	6¼	SalCas	.75e	9.0		19	8⅛	8⅛	8⅛	−¼
24½	17⅞	StJoLP	1.40	6.5	0	8	21½	21½	21½	−⅛
14½	8¼	Salant			10	144	16	12⅞	13⅛	−⅛
69½	31	StPaul	.84	.7	16	1906	31⅛	30⅞	30⅞	+⅛
30	40	SalM pf2.28e		6.5		1	30	d30	30	−1
38⅜	18⅝	Salomn	.64	2.6	28	3708	25	24⅞	24½	−⅞
30	26¼	SDieGs	2.50	7.6	10	382	33½	30¼	33¼	−⅞
9¼	6⅞	SJuanB	.40e	5.9		41	6⅞	d 6⅞	6⅞	−⅛
14	8½	SJuanR			16	47	13⅝	13½	13½	−⅞
32⅝	23½	SAnitR	2.04	6.8		21	30⅞	30⅛	30⅛	−½
21⅞	14⅞	SFeEP	2.88	17.		36	17⅛	16⅞	17	
34⅞	14⅛	SFeSP	s .10	.5	4	1290	19⅛	18⅞	18⅞	−⅞
47⅝	28½	SaraLee	1.20	3.3	13	2880	37⅛	36⅛	36½	−⅛
62	46½	SaraL pf3.11e		6.3		1	49⅞	d49⅞	49⅞	−⅞
28⅛	10	SaulRE	.20	.8	82	10	24	23⅞	24	+⅛
14⅛	10⅞	SavE pf1.20		11.		2	11⅛	11⅛	11⅞	
6	9-64	Savin				1088	11-32	5-16	5-16	
8½	13-16	Savn pfA				18	7⅞	7⅛	7⅛	−⅛
7½	6½	Savn pfB.80		13.		75	6½	6	6⅛	−⅛
7⅛	6⅞	Savb pfD.10		1.7		124	6⅛	6⅞	6⅞	
34½	26½	SCANA	2.40	7.8	10	66	31⅞	31½	31¼	−⅛
9⅛	5⅞	Schir	.31a	4.2		31	7⅞	7⅛	7⅞	+⅛
57⅞	31¼	SchPlg	1.40	2.7	10	2087	52⅛	51⅞	51⅞	−⅛
51	20	Schlmb	1.20	3.6	15	5730	33⅞	33⅛	33½	−⅛

AMEX COMPOSITE PRICES

Closing prices July 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng

OVER-THE-COUNTER

Nasdaq national market. 3pm prices July 12

Stock	Div.	Sales 100s	High	Low	Last	Chng

Continued on Page 41

FINANCIAL TIMES Wednesday July 13 1988

AMERICA

Fear of interest rates rise casts pall over trading

Wall Street

EQUITIES and bonds fell yesterday, reversing Monday's gains, amid nervousness about the threat of higher US interest rates, *writes Janet Bush in New York.*

Financial markets are jittery ahead of Friday's merchandise trade figures and also about today's testimony by Mr Alan Greenspan, chairman of the US Federal Reserve, before the Senate Banking Committee in which he will discuss monetary policy.

Mr Greenspan's testimony comes at a particularly sensitive time when speculation of higher interest rates is the major topic of discussion.

Having drifted lower during morning trading, declines in share prices accelerated at midsession. The Dow Jones Industrial Average closed 18.67 points lower at 2,092.64 on moderate volume of 162.6m shares, a total somewhat inflated by trading in shares about to go ex-dividend.

US Treasury bond prices were quoted around ¾ point lower in late trading and the Treasury's benchmark 30-year issue was quoted 1½ point lower for a yield of 9.12 per cent.

Short-term trading moves, particularly in the bond market, still tend to reflect fluctuations in commodity prices. However, of much more fundamental significance to future trends in stocks and bonds is the Fed's reaction to still-strong economic growth and overheating pressures. Mr Greenspan's testimony comes only a few days after the release last Friday of June's unemployment data showing the unemployment rate had fallen to its lowest level since May, 1974.

Opinion appears to be divided on whether interest rates will be pushed higher. Optimists in the bond market argue that with the dollar rising and commodity prices falling back from earlier highs, there is no reason for the Fed to tighten policy.

Pessimists, and theirs seems to be the longer-term view, suggest that the dollar's recent rally will not be sustained, that the economy will continue to grow strongly and that there are indeed formidable inflationary pressures.

Salomon Brothers' latest forecast (and their Autumn one has proved pretty accurate so far this year) suggests stocks will do well over the next six months but bonds will make heavy weather of it.

Salomon is looking for annualised growth of 3.1 per cent in the second half and consumer prices rising at an annualised 5.5 per cent by the fourth quarter and at 6 per cent by the first quarter, 1989, partly reflecting tighter labour markets. Long bond yields could rise to 10 per cent in the second half and Fed Funds could stand above 8 per cent by the end of the year.

Salomon says the dollar could fall to Y120 and DM1.70 during the second half and that monthly trade deficits will average $11.5bn for the rest of the year.

Apart from Mr Greenspan's testimony, which will be examined for clues about Fed thinking, the key day this week will be Friday when trade figures are released along with the latest data on industrial production, producer prices and business inventories.

Among featured stocks was Knight-Ridder which dropped $1⅞ to $41⅞ after news that the company had agreed to buy Lockheed's Dialog Information Services subsidiary for $353m. Lockheed rose $¼ to $43⅞.

Merrill Lynch dropped $1⅛ to $25⅛ in reaction to disappointing earnings in the latest six months. Net earnings dropped to $1.08 a share compared with $1.75 a year earlier. Commission revenue was down by 35 per cent because of reduced activity in the stock market. Merrill Lynch said the results were reasonable given the lower level of financial market activity in recent months.

Polaroid added $1⅛ to $31⅞ after announcing a sweeping reorganisation including a $300m share buy-back programme.

Canada

SHARE PRICES in Toronto posted broad losses, moving lower in concert with the decline on Wall Street.

The composite index lost 30.38 to 3417.58 as declines outnumbered advances by 482 to 283 on light turnover of 23.2m shares.

Base metals showed losses. Inco sank C$1⅛ to C$40⅞. Alcan Aluminium lost C$⅝ to C$35⅛. Falconbridge dropped C$¼ to C$26⅞, and Noranda declined C$¼ to C$25⅛. Among energy issues, Imperial Oil class A dropped C$⅝ to C$55⅝, Gulf Canada Resources dropped C$⅜ to C$17⅞ and Shell Canada declined C$¼ to C$41.

ASIA

Demand for NKK helps to propel Nikkei over 28,000

Tokyo

LARGE-CAPITAL stocks attracted buying interest in Tokyo yesterday, helping to drive share prices moderately higher, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average ended 113.85 points higher at 28,099.84, reaching the 28,000 mark for the first time in about three weeks. *Its high for the day was* 28,101.96 against a low of 27,992.46.

Volume swelled to 1.96bn shares from Monday's 1.08bn. But declines outnumbered advances by 443 to 420, with 165 issues unchanged.

Large buy orders for NKK by leading brokerage houses sparked strong demand for steels, shipbuildings, heavy electricals and other large-capital stocks.

But an official at one large securities house predicted that caution would increase in the run-up to the announcement of May US merchandise trade figures, due on Friday.

NKK, a steel company with interests in the Tokyo Bay area redevelopment, topped the active list with 270.2m shares changing hands, rising Y37 to Y690. Nippon Steel added Y21 to Y709, Kawasaki Steel Y21 to Y741, Sumitomo Metal Industries Y44 to Y619 and Mitsubishi Heavy Industries Y41 to Y977. Mitsubishi Heavy was the second most active issue with 231m shares traded and Nippon Steel third with 192.4m.

Tokyo Gas and Fujikura, which also have redevelopment projects in Tokyo Bay, gained Y40 to Y1,220 and Y20 to Y1,260.

Heavy electricals were popular because of tight semi-conductor enpply. Toshiba rose Y30 to Y1,030, Mitsubishi Electric Y18 to Y950 and Hitachi Y40 to Y1,600.

Buying interest in car issues was also strong. Nissan Motor finished Y50 higher at Y1,330 after matching its all-time high of Y1,340 recorded in 1981. Toyota Motor rose Y90 to a record Y2,560, while Honda Motor closed Y80 higher at Y1,820. Their popularity stemmed from a steady year-on-year increase of 16.9 per cent in new car registrations.

Shippings, which are considered undervalued compared with steels, saw demand. Japan Line advanced Y28 to Y403 and Nippon Yusen Y12 to Y782.

However, high-technology stocks were out of favour. Matsushita Electric Industrial shed Y30 to Y2,540 and Fanuc Y100 to Y5,910. NEC, TDK and Fujitsu all ended unchanged at Y2,070, Y4,290 and Y1,630 respectively.

Bond prices moved erratically. The yield on the benchmark 5.0 per cent government bond, maturing in December 1997, fell to 4.955 per cent in early trading from 5.045 per cent at Monday's close, spurred by the yen's firmness against the dollar and repurchases of Japanese government bonds by Japanese banks on the US bond market.

Later the benchmark issue came under selling pressure, triggered by reported remarks by Mr Satoshi Sumita, governor of the Bank of Japan, in Basle, indicating that the Japanese central bank would guide interest rates higher. The yield rose to 5.6 per cent before ending the day at 5.045 per cent, unchanged from the previous day.

The Osaka Securities Exchange extended its rising streak and the OSE average passed the 28,000 mark for the first time in about two weeks. The index ended 35.66 higher at 28,020.80, on an estimated volume of 171m shares, up 31m from Monday.

Australia

WEAKER base metal and bullion prices helped pull stocks lower after a seven-day rally, although selective bargain hunting lifted prices off their lows. The All Ordinaries index closed down 8.2 at 1,629.9 on modest turnover of A$197m shares.

BHP fell 6 cents to A$8.40 as investors awaited news of the sale of Bell Resources' stake. Bell Resources rose 5 cents to A$1.70. Bell Group and Bond Corporation each added 1 cent to A$2.47 and A$2.09. Adsteam, a rumoured buyer of Bell Resources stock, was steady at A$6.74.

Singapore

AFTERNOON bargain hunting and short-covering took share prices higher, with the Straits Times industrial index rising 11.26 to 1,107.06.

Speculative and low-priced stocks were active again, with DBS Land seeing the most trade as 1.7m shares changed hands.

Hong Kong

THE prospect of gains from higher interest rates helped boost Hang Seng Bank and other shares followed suit, with the Hang Seng index rising 13.93 to 2,772.53.

Hang Seng Bank was the day's most active stock, rising 60 cents to HK$30.50. Hongkong Bank added 5 cents to HK$6.50. Turnover rose to HK$1.09bn from HK$968.8m on Monday.

STOCK MARKET FACT CHART
NEW ZEALAND

Market capitalisation: NZ$28.35bn ($1=NZ$1.49, £1=NZ$2.52)
Number of shares listed: 520
Top 10 stocks, percentage of market: 50%
Trading hours: official – 9.30am-11am and 2.15pm-3.30pm; after hours – up to half an hour
Average daily turnover, May 1988: 8.7m
Main indices: Barclays index (top 40 stocks), NZ Stock Exchange index (496 stocks)
Current level of index (Barclays): 2,012.95; 1988 high: 2,035 (18/6); 1988 low: 1,625.7 (29/2)
Settlement: within 30 days

Address: New Zealand Stock Exchange, PO Box 2959, Wellington, New Zealand. Tel: (04) 727-599.

New Zealand in doldrums after October's trauma

THE NEW ZEALAND stock market is still sluggish and struggling to recover from the depths to which it plunged after the October stock market crash.

Share prices were among the worst hit in the world, plummeting about 60 per cent, and the lack of investor interest and confidence since has impeded a quick recovery.

The Barclays index has risen 24 per cent since reaching its post-crash low of 1,625.7 on February 29, standing yesterday at 2,012.95 after hitting a year's high of 2,035 on June 18. That compares with its all-time high of 3,968.88 on September 18, 1987.

Strong overseas interest, particularly from Australia, has pushed some prices up strongly over the past month, with many leading shares seen as undervalued. However, trading volumes remain well down on the bull period of last year.

The New Zealand exchange is made up of four regional trading floors, one in each of the four main cities – Wellington, Auckland, Christchurch and Invercargill. The market is capitalised at NZ$28.35bn ($19bn), covering 520 shares, and all shares in public registered companies are freely tradeable.

Smaller stocks are traded on a second board, but less frequently than the main stocks, and no bonds are traded.

The spate of mergers, takeovers and some collapses among companies since late last year has brought several changes to the company listing register. Leading companies have been dropped from the number one board and this has allowed companies to move up from the number two board.

The four regional exchanges operate two trading sessions, from 9.30 am to 11 am and from 2.15 pm to 3.30 pm. In the afternoon each floor spends 15 minutes operating on its own, after which it links with the other three floors. The market is controlled primarily by brokers.

Since the beginning of January, the central exchange has been operating a fully computerised central system for settlements.

There is no fixed account period in New Zealand, and payment is made against delivery of the share certificate. This may take from a few days to several weeks but must happen within 30 days. Once the seller's broker has delivered the scrip to the buyer's broker, the latter has until 2 pm the following day to pay; payment is made to the central exchange which then passes the payment by direct credit on to the broker concerned. If brokers have not settled their accounts by 2.05 pm they may be deemed to be in default.

Nine brokers went into default as a result of the October crash, although one has since restructured and recommenced trading. Most of their problems were caused by bad debts from defaulting shareholders, as the huge volume of shares traded led to long delays in processing scrip. Often the shares had been resold before the original buyer received his certificates.

This year the exchange has tightened its procedures and stockbrokers have had to speed up settlement and delivery periods – aided in part by the big fall in the volume of shares traded.

The average daily volume of shares traded in May was 8.7m, well below last year's daily averages. But turnover has picked up steadily since January, rising from 98.8m shares that month to 179m in May, and almost doubling in value to NZ$393m.

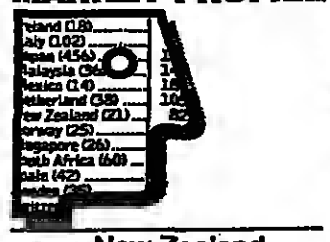
Investors are not required to pay any capital gains tax on profits from share sales in New Zealand, and there is no withholding tax on dividends. Mr David Lange, the Prime Minister, has virtually ruled out the possibility of any introduction of a capital gains tax in this year's budget.

No restrictions are placed on overseas companies or investors wanting to buy New Zealand shares until they have acquired 23.9 per cent of a local company. The overseas investor must then obtain approval from the Overseas Investment Commission to take the stake higher.

A profile of the Australian market appeared in yesterday's paper. Hong Kong will be featured tomorrow.

Dai Hayward

MARKET PROFILE



New Zealand

EUROPE

Weaker tone reflects pause for US trade deficit news

INVESTORS kept to the sidelines yesterday, reluctant to take positions before the release of US trade figures on Friday, and most European markets ended weaker, *writes Our Markets Staff.*

FRANKFURT was in a hesitant, changeable mood, and share prices were led lower by the banks at the start only to see losses trimmed by selective foreign and domestic buying.

Fears that the Bundesbank would raise the securities repurchase rate from 3.75 per cent initially dampened the mood. This failed to materialise, but concern persisted that interest rates would be forced higher by the dollar's strength, especially if Friday's US trade figures turn out well. The fact that Mr Helmut Kohl, the Chancellor, will attend tomorrow's Bundesbank council meeting roused some interest, although the visit was said to have been planned for some time.

These considerations tended to keep buyers away, and profit-taking in blue chips pulled prices lower. "Basically the market still wants to go up, but with the FAZ some 2 per cent below 500 it's looking as if it needs consolidation," said one trader.

The FAZ index showed a mid-session loss of 3.67 to 488.75 and the DAX index of 30 blue chips closed 11.74 lower at 1,184.85. National turnover was a low DM2.78bn worth of West German shares, little changed from Monday.

Late bargain-hunting was reported from UK, US and domestic investors, notably in chemicals, where Hoechst edged up DM1 to DM278 and Bayer 90 pfg to DM293, while BASF ended just 10 pfg off at DM258.90 after recovering from a day's low of DM254.50.

Among the banks, Deutsche was down DM7.50 at DM475 and Dresdner, which has been under selling pressure for a few days, fell a further DM8.50 to DM256. Some investors were said to be switching out of banks and into chemicals, which have underperformed the market over the past month.

In a mixed retailing sector, Asko gained DM19 to DM924 amid speculation that today's press conference will bring news of a substantial rise in net profits for 1987. The stock will still be on a lower prospective price-earnings ratio than other leading retailers despite a narrowing of the differential in the past six months, one analyst said.

Bonds remained depressed and trading was thin amid uncertainty over the dollar. The yield on the 6¾ per cent 1998 federal bond edged up to 6.705 per cent from 6.696 per cent.

PARIS had a quieter day, with luxury goods group LVMH again the main talking point.

Trading was hit by the run-up to tomorrow's Bastille Day holiday and by the wait for US trade figures on Friday, with many investors expected to be absent from noon today. The EFX 50 index lost 2.95 to 356.23.

LVMH saw 71,640 shares changing hands – high, but well below the 200,000-plus seen in last week's hectic trading. The stock rose FFr89 to FFr2,822, having reached FFr2,940 briefly, amid reports that Financière Agache was buying with the aim of taking the group's holding to a blocking minority of 30 per cent.

Holding company Cérus continued to fall after the previous day's news of a rights issue, losing FFr5.50 to FFr434, and recent speculative issue Moulinex eased another FFr4 to FFr101.

MADRID edged higher in a quiet session, with many investors sidelined pending Friday's domestic inflation figures and US trade data. The general index added 0.97 to 295.99.

Construction group Uralita picked up 38 percentage points to 615 per cent of nominal market value after taking a 33 per cent stake in a local chemicals group.

Banco Hispano, reporting an 82 per cent rise in interim profits, was unchanged at 819.

ZURICH fell on profit-taking in fairly moderate trading. The Swiss Index slid 5.7 to 889.9.

Insurers lost ground after Monday's advances. Winterthur fell SFr50 to SFr6,525. Zurich bearers dropped SFr75 to SFr6,025 and Swiss Re participation certificates SFr15 to SFr2,095.

MILAN edged higher in thin volume, with the Comit index adding 0.69 to 509.67.

Some share prices continued rising after hours, with Fiat closing up L40 at L9,419 before reaching L9,460 and its defence and textiles subsidiary Snia gaining a further L48 to L2,309 at the close before rising to L2,356. One Italian specialist said the Fiat group was beginning to move again after a long underperformance now that Deutsche Bank has said it is holding onto its remaining 2.5 per cent stake.

Clothing group Benetton rose L55 to L10,340, breaching the L10,000 mark after a long period in the doldrums. At times last year the share was trading above L22,000.

BRUSSELS weakened, hit in part by a 0.35 point rise in the National Bank's key three-month treasury certificate rate. The stock index eased 3.05 to 4,955.59.

Electricity producer Unerg saw active trade, with 9,000 shares dealt, losing BFr5 to BFr2,555. Chemicals were mixed, and Solvay fell BFr50 to BFr12,675 while UCB rose BFr70 to BFr9,120.

STOCKHOLM closed slightly higher in irregular trading. The Affärsvärlden index rose 3.1 to 871.7 and turnover amounted to SKr218m.

The session saw strong demand for pharmaceuticals group Astra. Its restricted A-shares rose SKr2 to SKr208, giving a rise of SKr19, or 10 per cent, since the previous Tuesday. The entire chemical and pharmaceutical sector was strong, with the sector index gaining 1 per cent.

Forestry group Stora lost ground, with its free shares closing SKr5 down at SKr325.

AMSTERDAM remained very subdued despite the firmer dollar as investors awaited the US trade figures. The CBS trend index closed 0.4 lower at 94.5.

London

INTERNATIONAL equities suffered a wave of selling in the final hour of trading, hit by Wall Street's lower opening and uncertainty over economic figures due this week.

Consolidated Gold Fields, Glaxo, Wellcome and ICI all lost ground. The FT-SE 100 index fell 18.3 to 1,858.5.

SOUTH AFRICA

THERE were losses across the board for leading shares in Johannesburg after recent gains, with the weaker bullion price taking its toll on gold issues.

In golds, Beatrix fell R1.25 to R13.25 and Loraine lost R1.10 to R9.40. Coal stock Amcoal, which rose R5 on Monday, fell back R2 to R44, while De Beers eased 75 cents to R41.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JULY 12 1988					MONDAY JULY 11 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (89)	146.05	−0.3	127.71	122.59	3.64	146.47	128.53	122.89	150.35	91.16	143.76
Austria (16)	86.64	+0.5	75.76	82.77	2.51	86.19	75.64	82.68	98.18	83.72	87.67
Belgium (63)	116.86	+0.3	102.19	111.82	4.51	116.53	102.26	111.93	139.89	99.14	124.15
Canada (129)	126.52	−1.0	110.63	110.85	3.03	127.79	112.14	111.83	128.91	107.06	137.65
Denmark (39)	128.45	+0.7	112.32	122.24	2.38	127.56	111.94	122.06	132.72	111.42	114.58
Finland (26)	128.16	+0.0	112.06	117.59	1.46	128.13	112.44	117.59	139.53	106.78	–
France (129)	95.00	−0.7	83.07	92.32	3.51	95.69	83.97	93.22	99.62	72.77	109.50
West Germany (100)	76.72	−0.3	67.09	73.29	2.53	76.98	67.55	73.86	80.79	67.78	97.37
Hong Kong (46)	111.86	+0.7	97.81	112.27	4.08	111.08	97.47	111.49	111.86	84.90	129.97
Ireland (18)	136.47	+0.3	119.33	131.66	3.60	136.10	119.43	131.76	141.54	104.60	143.32
Italy (102)	70.59	+0.5	61.72	71.80	2.80	70.21	61.61	71.71	81.74	62.99	93.47
Japan (456)	165.37	+0.7	144.60	138.61	0.51	164.18	144.07	138.03	177.27	133.61	132.73
Malaysia (36)	149.41	+1.1	130.65	150.97	2.44	147.75	129.66	149.32	153.14	107.83	183.98
Mexico (13)	167.53	−0.3	146.50	419.28	1.30	167.99	147.42	419.70	180.07	90.07	283.95
Netherland (38)	103.97	−0.3	90.91	98.37	4.70	104.30	91.53	99.04	110.66	95.23	125.61
New Zealand (21)	79.83	+0.5	69.80	62.79	5.69	79.39	69.67	62.60	84.05	64.42	103.41
Norway (25)	118.88	−0.1	103.95	107.91	2.80	119.01	104.43	108.27	132.23	98.55	147.13
Singapore (26)	125.53	+1.0	109.77	118.48	2.18	124.24	109.02	117.40	125.56	97.99	155.84
South Africa (60)	123.49	−2.5	107.98	94.72	4.63	126.67	111.16	97.16	139.07	118.10	172.55
Spain (43)	150.80	+0.8	131.86	138.97	3.18	149.59	131.27	138.54	164.47	130.73	125.83
Sweden (35)	118.51	+0.6	103.63	111.01	2.57	117.78	103.35	110.76	125.50	96.92	118.61
Switzerland (55)	80.55	−0.1	70.43	76.08	2.25	80.62	70.74	76.72	86.75	75.60	97.67
United Kingdom (325)	131.34	−0.5	114.85	114.85	4.35	132.00	115.83	115.83	141.18	123.09	158.14
USA (583)	109.44	−0.9	95.70	109.44	3.58	110.47	96.94	110.47	112.47	99.19	126.89
Europe (1014)	105.75	−0.3	92.47	97.30	3.70	106.05	93.06	97.95	110.82	97.01	125.54
Pacific Basin (674)	162.41	+0.7	142.01	136.72	0.71	161.30	141.54	136.17	172.26	130.81	133.01
Euro-Pacific (1688)	139.76	+0.4	122.21	121.01	1.62	139.21	122.16	120.92	147.53	120.36	130.08
North America (712)	110.35	−0.9	96.50	109.55	3.54	111.39	97.75	110.57	113.29	99.78	127.47
Europe Ex. UK (689)	89.83	−0.1	78.55	86.39	3.14	89.90	78.89	86.82	92.99	80.27	105.30
Pacific Ex. Japan (218)	126.81	+0.2	110.88	113.18	3.78	126.60	111.10	112.99	128.15	87.51	136.50
World Ex. US (1890)	139.17	+0.3	121.69	120.54	1.70	138.72	121.73	120.52	146.49	120.26	130.90
World Ex. UK (2148)	127.30	+0.0	111.32	116.86	2.10	127.36	111.76	117.13	131.77	111.77	126.49
World Ex. So. Af. (2413)	127.67	−0.1	111.64	116.81	2.29	127.76	112.11	117.13	132.39	113.26	129.02
World Ex. Japan (2017)	109.56	−0.7	95.81	105.51	3.62	110.31	96.80	106.36	112.43	100.00	127.69
The World Index (2473)	127.65	−0.1	111.62	116.66	2.31	127.76	112.11	117.00	132.38	113.37	129.30

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).